

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



**please ask for** Leslie Manning  
**direct line** 0300 300 5132  
**date** 3 January 2014

## **NOTICE OF MEETING**

### **AUDIT COMMITTEE**

Date & Time

**Monday, 13 January 2014 9.30 a.m.**

Venue at

**Room 15, Priory House, Monks Walk, Shefford**

Richard Carr  
**Chief Executive**

To: The Chairman and Members of the AUDIT COMMITTEE:

Cllrs M C Blair (Chairman), D Bowater (Vice-Chairman), R D Berry,  
N B Costin, D Jones, D J Lawrence and A Zerny

[Named Substitutes:

Mrs J G Lawrence, A Shadbolt, M A Smith and N Warren]

All other Members of the Council - on request

**MEMBERS OF THE PRESS AND PUBLIC ARE WELCOME TO ATTEND THIS  
MEETING**

## AGENDA

1. **Apologies for Absence**

To receive apologies for absence and notification of substitute Members.

2. **Minutes**

To approve as a correct record the minutes of the meeting of the Audit Committee held on 23 September 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 set out in Annex 2 of Part A4 of the Constitution.

6. **Questions, Statements or Deputations**

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

### Reports

Item	Subject	Page Nos.
7	<b>Certification of Claims and Returns Annual Report 2012-13</b>  To receive the annual certification report from Ernst & Young LLP which summarises the results of the certification work at Central Bedfordshire Council on 2012-13 claims and returns.	* 11 - 26
8	<b>Annual Audit Letter 2012/13</b>  To consider the Annual Audit Letter for 2012/13 from Ernst & Young LLP and approve its publication.	+ To Follow

9	<b>External Audit Update</b>	+ To Follow
	To consider an update by Ernst & Young LLP setting out the progress of the audit against plan.	
10	<b>Final Accounts Process 2013/14</b>	* 27 - 30
	To receive a summary of key changes in the Statement of Accounts for 2013/14 and internal procedures for producing the Statement of Accounts.	
11	<b>Public Sector Internal Audit Standards - Overview and Self Assessment</b>	* 31 - 36
	To consider a summary briefing on the new Public Sector Internal Audit Standards and the outcome of a self assessment of the Council's current compliance with the Standards.	
12	<b>Internal Audit Charter</b>	* 37 - 52
	To consider the adoption of an Internal Audit Charter in compliance with the Public Sector Internal Audit Standards.	
13	<b>Internal Audit Progress Report</b>	* 53 - 62
	To consider an update on the progress of work by Internal Audit for 2013/14.	
14	<b>Risk Update Report</b>	* 63 - 70
	To consider an overview of the Council's risk position as at November 2013.	
15	<b>Tracking of Audit Recommendations</b>	* 71 - 86
	To consider a summary of high risk recommendations arising from the Internal Audit reports together with the progress made in their implementation.	

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**CENTRAL BEDFORDSHIRE COUNCIL**

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Monday, 23 September 2013

**PRESENT**

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

Cllr D J Lawrence

Cllr A Zerny

Apologies for Absence: Cllr R D Berry

Substitutes: Cllr Mrs J G Lawrence (In place of R D Berry)

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

Others In Attendance: Mr M West                              Director – Ernst & Young LLP

A/13/61            **Minutes**

**RESOLVED**

**that the minutes of the meeting of the Audit Committee held on 24 June 2013 be confirmed and signed by the Chairman as a correct record.**

A/13/62            **Members' Interests**

None.

A/13/63            **Chairman's Announcements and Communications**

None.

**A/13/64 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/13/65 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/13/66 2012/13 Statement of Accounts/Audit Results Report**

The Committee considered a report by the Chief Finance Officer which presented the 2012/13 Statement of Accounts for approval. The meeting was aware that the Accounts and Audit Regulations 2011 required local authorities to approve and publish their annual accounts together with the audit opinion and certificate by 30 September following the end of the financial year.

In addition, auditing standards required an authority's external auditor to obtain appropriate written representation from the council about the financial statements and governance arrangements. The Committee was also asked, therefore, to approve a draft letter of representation to its external auditors, Ernst & Young LLP.

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

Members were reminded that, as required by the 2011 Regulations, the Chief Finance Officer had certified the 2012/13 annual accounts in June. A presentation on the annual accounts had been made to the Audit Committee and other Members at its last meeting on 24 June (minute A/13/55 refers) followed by a period of public inspection which had closed on 2 August. The annual accounts had also been subject to an external audit validation by Ernst & Young and the resulting Audit Results Report, which formed item 8 on the meeting agenda, was considered immediately following the Chief Finance Officer's report.

The Chief Finance Officer advised the meeting that any changes made to the annual accounts had been minor and had not required any material adjustment to the original Statement of Accounts. The balance of General Fund Reserves was unaltered. The audit had identified one error and this related to the reversal of a prior year adjustment. The Ernst & Young Director present confirmed that this error did not affect the General Fund balance.

The Committee then turned to consider the Audit Results Report from the Council's external auditor, Ernst & Young. The report summarised the findings from the now completed 2012/13 audit and included the message arising from

Ernst & Young's audit of the Council's financial statements and the results of work undertaken to assess the Council's arrangements to secure value for money in its use of resources.

The Ernst & Young Director worked through the report highlighting various matters of note. He advised the meeting that the external auditor was now in the final stages of its audit work and was checking amendments. In connection with that part of his report dealing with audit risks in arrangements to secure economy, efficiency and effectiveness the Ernst & Young Director referred to the Council's position in the lowest (worst) 10% of its nearest statistical neighbours for the average number of days taken to process both new claims and changes in circumstances for housing and council tax benefits. In addition he referred to the number of cases in the last three years where benefits had been assessed incorrectly. However, the Ernst & Young Director stated that he was also aware of the Council's efforts to address these issues and was satisfied with them.

In response to a query by the Chairman regarding the Council's position in the Value for Money profile the Chief Finance Officer commented on the need for caution as the manner by which the information was presented by local authorities had a major impact on how it could be interpreted. He added that the last four years had seen a dramatic improvement in the time taken to process claims (falling from 55 to 19 days) despite a 26% increase in workload the previous year and another 20% increase in the current year. Further, the workload increase, which had been mirrored nationally, had seen deterioration in the performance of other local authorities. The Ernst & Young Director commented that, whilst he acknowledged these developments and that the Council's direction of travel was positive, the number of processing errors remained high. He also confirmed that he expected to issue an unqualified audit opinion on the Statement of Accounts and the Value for Money conclusion prior to 30 September.

A Member raised a number of questions over the Council's use of a particular contractor and the employment of interim staff from that contractor. He thanked the Chief Finance Officer and other staff for the additional information supplied prior to the meeting but expressed the view that the possibility existed that the current employment arrangements regarding consultancy staff could give rise to potential issues for the Council. In response, the Chief Finance Officer explained that there was no requirement to disclose payments made to individual suppliers within the accounts. Following discussion the Chief Finance Officer suggested that a review should be conducted of the relevant Council procedures. The review would be conducted by the Head of Internal Audit and Risk. The Committee welcomed this suggestion.

## **RESOLVED**

- 1 that the 2012/13 Statement of Accounts for Central Bedfordshire Council, as set out at Appendix A to the report of the Chief Finance Officer, be approved;**
- 2 that the draft Letter of Representation, as set out at Appendix B to the report of the Chief Finance Officer, be approved for submission**

**to the Council's external auditor, Ernst & Young LLP, and that the Chairman of the Audit Committee and the Chief Finance Officer be authorised to sign it;**

- 3 that the Audit Committee record its thanks to the officers for the work undertaken in the preparation of the Statement of Accounts;**
- 4 that the Head of Internal Audit and Risk carry out a review of Council procedures relevant to the employment of contractors and consultancy staff.**

#### **NOTED**

**the Audit Results Report from Ernst & Young LLP setting out the results of its 2012/13 audit.**

A/13/67

#### **LG Sector Update**

The Committee received a sector information paper on local government financial issues from Ernst & Young LLP.

Arising from the inclusion of an article on the national Local Government Pension Scheme review a Member, who sat on the Pension Fund Committee administered by Bedford Borough Council, commented that, whilst Central Bedfordshire Council was able to receive updates on national developments in the Scheme, there was no opportunity available for the Council to receive reports from the Pension Fund Committee on local developments.

#### **NOTED**

**the Local Government Sector information paper.**

#### **RESOLVED**

**that consideration be given to the possibility of a regular report being submitted to Council on matters of interest arising from the deliberations of the Pension Fund Committee administered by Bedford Borough Council.**

A/13/68

#### **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 2013/14 for the period up to the end of August 2013.

The report set out progress on the following 2013/14 Internal Audit plan matters:

- Managed Audits
- Other Audit Work



- National Fraud Initiative (NFI)
- Fraud and Special Investigations
- Schools
- Public Sector Internal Audit Standards
- Performance Management

The Head of Internal Audit and Risk introduced the report and advised the meeting that, with regard to the 2012/13 Managed Audit reviews, the final report for IT Disaster Recovery had now been issued and had received limited assurance. She also drew Members' attention to the approach to be taken for the 2013/14 Managed Audit reviews. The meeting noted that this remained unchanged from previous years with the exception that, for each review, reporting would be in one phase rather than two.

#### **NOTED**

**the progress made against the 2013/14 Internal Audit Plan.**

A/13/69

#### **Risk Update Report**

The Committee considered a report by the Chief Finance Officer which provided an overview of the Council's risk position as at August 2013.

The Head of Internal Audit and Risk explained that, in order to ensure that the risk register remained appropriate and correctly worded, a detailed refresh of the strategic risk register was in progress. As a result a detailed summary of the updated risks and their resulting risk scores had still to be developed and a dashboard summary had not been attached to the Head of Internal Audit and Risk's report as was the norm.

Members noted that a detailed update reflecting the revisions outlined in the Head of Internal Audit and Risk's report would be presented to the next meeting of the Committee.

#### **NOTED**

**the overview of the Council's risk position as at August 2013.**

A/13/70

#### **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.

The Head of Internal Audit and Risk advised Members that, of the two outstanding high priority recommendations made prior to April 2012, the recommendation relating to the 2009/10 Payroll Audit had now been addressed

and the revised processes would be reviewed as part of the 2013/14 Audit Plan to provide assurance that the new procedures were robust.

With regard to the remaining high priority recommendation, which related to the 2009/10 SAP Access and Security (including IT Disaster Recovery), the meeting noted that work was in progress to address it. Further, in order to enable the Committee to monitor the progress made, the recommendation had been broken down into a number of individual activities. An update on the progress made would be provided at future Committee meetings.

In relation to the above issue the Chairman referred to Appendix A to the Head of Internal Audit and Risk's report and requested that plain English be used in future reports.

**NOTED**

**the report on the high risk recommendations arising from Internal Audit reports and the progress made in implementing them.**

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.27 a.m.)

Chairman .....

Dated .....

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**Meeting:** Audit Committee  
**Date:** 13 January 2013  
**Subject:** Certification of Claims and Returns Annual Report  
2012-13  
**Report of:** Ernst & Young LLP  
**Summary:** The attached report summarises the results of the certification work at Central Bedfordshire Council on 2012-13 claims and returns.

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**Contact:** Mick West, Director - Ernst & Young LLP  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Audit Committee

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# Central Bedfordshire Council

Certification of claims and returns annual report 2012-13

December 2013

Ernst & Young LLP





The Members of the Audit Committee  
Central Bedfordshire Council  
Priory House  
Monks Walk  
Chicksands  
Shefford  
Bedfordshire  
SG17 5TQ  
Dear Member

20 December 2013

Ref:

Direct line: +44 1582 643186

Email: MWest@uk.ey.com

## **Certification of claims and returns annual report 2012-13 Central Bedfordshire Council**

We are pleased to report on our certification work. This report summarises the results of our work on Central Bedfordshire Council's 2012-13 claims and returns.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

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

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

## **Statement of responsibilities**

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

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

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

## **Summary**

Section 1 of this report outlines the results of our 2012-13 certification work and highlights the significant issues.

We checked and certified one claim and three returns with a total value of £156,346,310. We met all submission deadlines. We issued qualification letters for one claim and one return. Details of the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had only a minimal impact on the grant due or returns payable.

There were no recommendations from last year that the Council was required to implement.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 and their values after the 40% reduction to assist year on year comparisons.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee.

Yours faithfully

## **Mick West**

Director  
Ernst & Young LLP  
Enc

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## 1. Summary of 2012-13 certification work

We certified one claim and three returns in 2012-13. The main findings from our certification work are provided below.

### Housing and council tax benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£79,126,436
Limited or full review	Full
Amended	Amended – Subsidy increased by £15,360
Qualification letter	Yes
Fee – 2012-13	£36,375
Fee – 2011-12	£61,751
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
None	Not applicable

Councils run the Government’s housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive ‘40+’ testing (extended testing) where errors were found in the previous year or if initial testing identifies errors in the calculation of benefit or compilation of the claim.

Due to the number of errors found in previous years a large volume of additional testing was required. In addition to our initial testing of the four headline cells; 10 cases in rent rebates (non HRA) and 20 cases each in rent rebates (HRA), rent allowances and council tax benefit, your officers carried out extended testing for each cell where errors were found last year (19 cells) and where errors have been found in this year’s initial testing. Extended testing was completed on 20 cells.

We are required to report the nature of the errors found and extrapolate the value across the cell population. The DWP then decides whether to ask the Council to carry our further work to quantify the error or to claw back the benefit paid. The testing also identified errors which the Council amended. They had a small net impact on the claim.

The following are the main issues included in our qualification letter:

Underpaid benefit	Testing identified underpaid benefit for a number of claimants mainly as a result of incorrectly calculating claimant income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified did not affect subsidy and were not classified as errors for subsidy purposes.
Misclassification of overpayments	The level of subsidy for overpayments is determined by the classification of the overpayment. The misclassification errors found resulted in overstatements and understatements of subsidy claimed. Misclassification errors have resulted in the larger extrapolations that impact on subsidy claimed.
Incorrect application of Claim Related Rent (CRR)	The calculation of rent for benefit purposes determines the level of subsidy for rent allowances. Overstatement of CRR results in a subsidy over claim.
No valid Rent Officer Determination in support of benefit assessments	These are reported in our qualification letter but have no impact on subsidy claimed.
Incorrect “netting of” by CIVICA system	Testing found 4 cases where, following a change of address, the value of the new claim had not been correctly netted off against an existing overpayment. The CIVICA system did not

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net off the correct amount resulting in an overstatement of subsidy claimed. There was no impact on the claimant. The Authority will review all cases where there has been a change of address in the year to ensure that the correct values have been off set when a new award has been made

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These issues were similar to the issues reported in 2011-12 and extended across the full range of benefit types.

Following recommendations made in previous annual certification reports the Council has prioritised staff training and quality control in the Revenues and Benefits team in order to reduce the number of errors in processing benefits claims.

The impact of the errors appears to be declining which may indicate that the actions taken are improving the quality of the assessments made. However, certification testing remains at a high level and a large number of errors are still being found. In order to reduce the level of testing the Council need to be able to demonstrate that the quality review processes in place have significantly reduced the number of errors being made in processing benefit claims. It is recommended that the Council:

- continues to prioritise staff training and quality control in the Revenues and Benefits team;
- ensures that it is able to evidence that the quality control arrangements in place are working effectively and reducing the number of errors made.

### Teachers' superannuation return

Scope of work	Results
Value of return presented for certification	£4,275,040
Limited or full review	Full
Amended	Amended – Return reduced by £53,452
Qualification letter	Yes
Fee – 2012-13	£4,350
Fee – 2011-12	£8,283
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
None	Not applicable

The Teachers' Pension Scheme is a contributory pension scheme run separately from the local government pension scheme and administered by Teachers' Pensions on behalf of the Department for Education. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government. Auditors are required to carry out checks on the return made.

We found errors on the Teachers' Pension return which resulted in the return being amended. The following are the main issues included in our qualification letter:

The Authority had no arrangements in place to satisfy itself as to the completeness and accuracy of other payroll provider information. There was a lack of assurance that entries for teachers employed by the local authority whose pay is administered by another payroll provider were calculated correctly and paid to Teacher's Pensions (TP). The Authority collated the other payroll provider information received without any checks of the underlying data. Our testing identified.

- ▶ Ratio check errors on some returns which had not been resolved – these assess whether the contributions make sense compared to salaries paid

- ▶ Misclassification between tiers – resulting in incorrect contributions because different rates are paid across the salary tiers
- ▶ Evidence of incomplete data received

TP pre-fill the contribution paid figure in the return and the pre-filled total (£8,042,440) differs from the figure inserted by the Authority (£4,221,587). The discrepancy has arisen as many schools or their agents pay contributions direct to TP, and the Authority has not obtained details from every school or from TP of such payments made and received. The Authority has been following up this up but has not been able to reconcile the pre-filled contribution paid figure with a supporting analysis.

Our testing of monthly payslips for a sample of 25 teachers paid by the Authority payroll identified a number of inconsistencies in the Authority's records. The incidence of the testing failures and the history of qualification of the Teachers' Pensions Return indicate that the errors are not isolated examples found by chance. The errors result in incorrect payment of contributions by teachers and/or inaccurate service details on which to calculate their future pension payments.

Previous years' returns were also qualified on account of weaknesses in the arrangements to ensure the completeness and accuracy of information provided to the Council by other payroll providers. The Council drew up an action plan to address the issues and it was reported in last year's certification report that new procedures had been introduced from March 2012. This was particularly important given that the Council ceased to provide payroll services to schools in 2012-13.

It is recommended that the Council:

- ▶ assesses whether the new procedures were followed
- ▶ determines the action needed to secure effective administration of the return
- ▶ programmes an internal audit review to test the operation of revised procedures
- ▶ tracks delivery of the action plan through the Audit Committee

#### National non-domestic rates return

Scope of work	Results
Value of return presented for certification	£72,584,547
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2012-13	£3,575
Fee – 2011-12	£3,477
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
None	Not applicable

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

We found no errors on the national non-domestic rates return and we certified the amount payable to the pool without qualification.

**Pooling of housing capital receipts**

Scope of work	Results
Value of return presented for certification	£360,285
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2012-13	£1,050
Fee – 2011-12	£901
<b>Recommendations from 2011-12:</b>	<b>Findings in 2012-13</b>
None	Not applicable

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government. Regional housing boards redistribute the receipts to those councils with the greatest housing needs. Pooling applies to all local authorities, including those that are debt-free and those with closed Housing Revenue Accounts, who typically have housing receipts in the form of mortgage principal and right to buy discount repayments.

We found no errors on the pooling of housing capital receipts return and we certified the amount payable to the pool without qualification.

## 2. 2012-13 certification fees

For 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for Central Bedfordshire Council for 2012-13 was £ 45,350. The actual fee for 2012-13 was £45,350. This compares to a charge of £89,206 in 2011-12.

Claim or return <sup>1</sup>	2011-12		2012-13	
	Actual fee £	2011-12 fee less 40% reduction £	Indicative fee £	Actual fee £
Housing and council tax benefits subsidy claim	61,751	37,051	36,375	36,375
Teachers Pensions	8,283	4,970	4,350	4,350
National non-domestic rates return	3,477	2,086	3,575	3,575
Pooling of housing capital receipts	901	541	1,050	1,050
Other claims	14,794	Excluded	-	-
<b>Total</b>	<b>89,206</b>	<b>44,648</b>	<b>45,350</b>	<b>45,350</b>

### 3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification. The Audit Commission has indicated that the national non-domestic rates return will not require certification from 2013-14.

The Council's indicative certification fee for 2013-14 is £52,100. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 on individual claims or returns. Details of individual indicative fees are available at the following link:

[\[http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees/\]](http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees/)

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.

## 4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
<b>Housing and council tax benefits subsidy claim</b>				
Continue to prioritise staff training and quality control in the Revenues and Benefits team	High	Agreed, increased sample checking is being undertaken as part of our pre claim submission work. Raising staff awareness of the type of errors made and the impact of these errors will continue. Any staff training issues identified will be addressed.	Ongoing	Service and Performance Manager – Revenues and Benefits
Evidence that the quality control arrangements in place are working effectively and reducing the number of errors made	High	Agreed. The reduced number of errors in the 2012/13 claim audit demonstrates the effectiveness of current quality control. Increased checking of transactions will continue to try and further reduce errors made.	Ongoing	Service and Performance Manager – Revenues and Benefits
<b>Teachers' superannuation return</b>				
Assess whether the new procedures were followed	High	Agreed. Revisions have been made to procedures during 2012/13 to meet requirements in the current (2013/14) financial year. The Head of Financial Control and the Head of HR Shared Services will jointly review the procedures followed in 2012/13 and the current arrangements.	28 February 2014	Head of Financial Control / Head of HR Shared Services
Determine the action needed to secure effective administration of the return	High	Agreed that the Head of Financial Control and the Head of HR Shared Services will determine if any further actions are required to secure the effective administration of the	28 February 2014	Head of Financial Control / Head of HR Shared Services

Summary of recommendations

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			return for 2013/14.		
Programme an internal audit review to test the operation of revised procedures	High	Agreed. An audit review is planned for March 2014.		Ongoing	Head of Internal Audit and Risk
Track delivery of the action plan through the Audit Committee	High	Agreed.		Ongoing	Head of Internal Audit and Risk

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**Meeting:** Audit Committee  
**Date:** 13 January 2014  
**Subject:** Final Accounts Process 2013/14  
**Report of:** Charles Warboys – Chief Finance Officer  
**Summary:** The report summarises key changes in the Statement of Accounts for 2013/14 and internal procedures for producing the Statement of Accounts.

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**Advising Officer:** Charles Warboys – Chief Finance Officer  
**Contact Officer:** Nisar Visram – Financial Controller  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Council

#### **CORPORATE IMPLICATIONS**

##### **Council Priorities:**

Not applicable

##### **Financial:**

1. The preparation of the annual financial statements is a core responsibility of the Council's finance team and involves the support of many other services. The Finance team seek to continuously improve the processes that support the preparation of the statements as well as implement any changes in reporting requirements within the Council's overall approved revenue budget.

##### **Legal:**

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

The accounts are based on International Financial Reporting Standards (IFRS) as defined by the CIPFA Code of Practice and the authority must incorporate any changes to the CIPFA Code in preparing the financial statements.

##### **Risk Management:**

3. Not Applicable.

**Staffing (including Trades Unions):**

4. Not Applicable.

**Equalities/Human Rights:**

5. Not Applicable.

**Public Health**

6. Not Applicable.

**Community Safety:**

7. Not Applicable.

**Sustainability:**

8. Not Applicable.

**Procurement:**

9. Not Applicable.

**RECOMMENDATIONS:**

**The Committee is asked to:**

- 1. Consider the key changes in the account statements and processes.**
- 2. Approve an interactive presentation of the unaudited accounts to Audit Committee and other Members in June 2014.**

**Background**

10. The Accounts and Audit Regulations 2011 require the Chief Finance Officer of the Local Authority to prepare and sign a set of unaudited accounts by 30 June each year. Audited accounting statements are required to be re-certified by the Chief Finance Officer, signed by the Chair of the Audit Committee and published by 30 September each year.
11. In addition to the requirements of the 2011 Regulations, the Council held an accounts presentation in June 2013, open to all Members, to enhance scrutiny and present key figures from the technical accounts in a useful and meaningful manner.
12. Under the same 2011 regulations, the accounts are required to present a 'true and fair' view of the financial position of the Council and comply with 'proper accounting practices'. The Local Government Act 2003 specifies the CIPFA Code as representing proper accounting practices for this purpose. The CIPFA Code is issued annually in November.

13. CIPFA issue a Local Authority Accounting Panel (LAAP) bulletin at the end of the financial year to address any specific issues arising from the CIPFA Code of Practice. These bulletins have the same status as the CIPFA Code in forming the statutory basis of the Council's accounts.
14. CIPFA may also issue mid-year updates to the Code of Practice on an exceptional basis. No such update has been issued for the 2013/14 financial year.

#### **CIPFA Code of Practice 2013/14**

15. The 2013/14 Code of Practice incorporates updates to the 2012/13 Code issued after its publication as part of a 2012/13 mid year update and year-end bulletin. The two main areas of change incorporated in the Code relate to accounting for the Housing Revenue Account (HRA) under self-financing and changes in accounting for Carbon Reduction Commitments (CRC). These changes were applicable for the 2012/13 accounts and therefore no changes to the 2013/14 accounts arise from these adjustments to the CIPFA Code.
16. There are a number of minor technical updates in the 2013/14 Code and there are two changes of note in this financial year relating to:
  - post-employment benefits and International Accounting Standard (IAS) 19.
  - accounting requirements in respect of National Non Domestic Rates (NNDR) following the move to localisation.
17. The 2013/14 Code incorporates changes made to IAS 19 in 2011. The most notable changes include the introduction of new classes of components of defined pension benefits costs to be recognised in the financial statements and new recognition criteria for termination benefits. Figures for the 2012/13 year will be restated, although the changes are presentational and there will be no material impact on the financial statements.
18. National Non Domestic Rates (NNDR) will be accounted for via the Collection Fund in a manner similar to Council Tax. As Councils now retain a share of business rate income, there will be an annual surplus/deficit on the Collection Fund which will be distributed/recovered in the subsequent year's budget. These changes reflect the new regime applicable from 1 April 2013, and therefore no restatement of prior year balances will be required.

#### **Accounts Process**

19. The Accounts and Audit Regulations 2011 require the Chief Finance Officer to certify the unaudited Statement of Accounts by 30 June each year.
20. In June 2013 there was a presentation of the key figures in the accounting statements to this Committee and all other Council Members were also invited, the purpose being to enhance the scrutiny and discussion of the statements in a clear and useful manner. The presentation was made by the Chief Finance Officer, the Head of Financial Control and the Financial Controller and included a question and answer session.

21. Conducting a presentation instead of submitting the accounts as an Audit Committee report enabled significantly more time for Finance staff to concentrate on quality assurance work in June. Making the most of the time available for quality assurance activities helped to minimise the work of the Finance team and the external auditors in the period July to September..
22. Positive feedback was received following the presentation, which engaged Members and enabled a focus on the key points within the accounts. It is therefore proposed to present the 2013/14 statements in a similar manner at the Audit Committee meeting in June 2014 with an open invitation to all Council members.

**Appendices:**

None

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

None

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**Meeting:** Audit Committee  
**Date:** 13 January 2014  
**Subject:** Public Sector Internal Audit Standards – Overview and Self Assessment

**Report of:** Chief Finance Officer

**Summary:** This report provides a summary briefing on the new Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) has developed in collaboration with the Chartered Institute of Internal Auditors (IIA) and which came into force from 1 April 2013. It also informs the Audit Committee of the outcome of a self assessment of the Council's current compliance with the Standards.

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

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

#### **CORPORATE IMPLICATIONS**

**Council Priorities:**

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

**Financial:**

1. There are no direct financial implications from adopting this Charter.

**Legal:**

2. None directly from this report.

**Risk Management:**

3. There are no specific risks from the issues identified in the report. The Standards provide a comprehensive framework for an effective internal audit service for the Council, and, by complying with the Standards, the Council will ensure that its internal audit service is professional, independent and objective. An effective internal audit service will support the Council's objectives and support the identification and mitigation of 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 endorse, with appropriate comment, the adoption of the Public sector Internal Audit Standards (PSIAS), and**
- 2. Consider the action plan produced to ensure future full compliance with the Standards.**

**Background**

10. In May 2011 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) agreed to collaborate in the development of the internal audit profession in the public sector. As a result, national Public Sector Internal Audit Standards (PSIAS) based upon the mandatory elements of the global CIIA's International Professional Performance Framework have been developed.
11. The PSIAS came into force on 1<sup>st</sup> April 2013 and contain the following:
  - Definition of Internal Auditing
  - Code of Ethics, and
  - Standards for the Professional Practice of Internal Auditing.
12. The PSIAS replace the Code of Practice for Internal Audit in Local Government in the United Kingdom, last revised in 2006. In local government, the PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011. The Audit Committee has regularly received assurance, through the Annual Audit Opinion Report, that Internal Audit has complied with the previous Code.
13. CIPFA has recently produced a Local Government Application note and this guidance has been considered and the Internal Audit Service has been reviewed against this to assess compliance and identify any gaps. A management action plan has been produced, aimed at moving the service to a position of full compliance, and this is considered later in the report.



14. A noticeable difference to the previous Code of Practice is the layout of the new PSIAS. Individual standards are numbered with subsections and the additional public sector requirements and interpretations are displayed in separate additional boxes.
15. Terminology is also different. For example, the PSIAS use the term “Chief Audit Executive”, rather than the Head of Internal Audit. They also use the term “the Board” throughout the standards to define particular governance and accountability roles. It is recognised that in different organisations the application of who the Board is will be different but generally it is appropriate to consider that the Audit Committee will undertake this role.

### **Relevant Issues**

16. The new standards are intended to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide the Chief Finance Officer and the Audit Committee with the key assurances needed to support them and also support the production of the Annual Governance Statement.
17. Much of the content within the Standards is a continuation of existing best practice. The following paragraphs set out some of the key points for the Committee’s consideration.
18. The scope of the PSIAS applies to all internal audit service providers, whether in-house, shared services, or outsourced. They set out that the provision of assurance is the primary objective of internal audit. The Head of Internal Audit is required to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
19. All internal auditors in United Kingdom public sector organisations are required to conform to the Code of Ethics of both the Institute of Internal Auditors and their own professional organisation.
20. There is a requirement that the purpose, authority and responsibility of the internal audit activity are defined in an internal audit charter. A charter has been prepared and is presented to the Committee for approval elsewhere on this agenda.
21. There is no longer a requirement to produce an audit strategy. Instead a risk based plan must incorporate, or be linked to, a strategic or high level statement which sets out how the internal audit service will be provided and developed in accordance with the charter and how it will link to the Council’s objectives and priorities. This requirement will be taken into consideration when preparing and presenting the 2014/15 Audit Plan for approval.
22. The quality of the internal audit service will also need to be vigorously checked under the quality assurance and improvement programme (QA&IP) which must include both internal and external assessments. The QA&IP is designed to assess the efficiency and effectiveness of internal audit as well as identifying opportunities for improvement. A statement of the results of the QA&IP must be included within the Head of Internal Audit’s Annual Audit Opinion.

23. The internal assessments can be divided into two parts. The first element is the monitoring of internal activity, in much the same way as under current arrangements for quality review. The second element involves periodic self assessments or assessments carried out by other officers in the organisation who will have sufficient knowledge of internal audit processes. A self assessment against the former CIPFA Code was previously undertaken annually so it is proposed to continue this good practice.
24. External assessments will need to be carried out by a qualified independent assessor or assessment team from outside the organisation. They can be undertaken as a full external evaluation or a self assessment with independent external validation and cannot be carried out on a rolling programme.
25. An initial self assessment against the new standards has been undertaken using the guidance and checklist provided by CIPFA in the recently published Local Application Note. The self assessment has demonstrated that Internal Audit substantially complies with the new standards. Action has already been taken to move towards compliance, for example, the Internal Audit Charter has been documented and internal audit processes have been reviewed. However, there are some areas where further work is required in order to be fully compliant. An action plan has been developed to address these issues, and is attached at Appendix A .
26. The most significant areas of change identified are:
  - The revisions to the Internal Audit Charter
  - Revisions to the documentation of elements of the audit process, including developing the risk based plan and individual assignments
  - The development of a Quality Assurance and Improvement Programme, incorporating the need for an external inspection every 5 years
  - Further development of assurance mapping in order to identify and utilise other sources of assurance

A copy of PSIAS is available on request.

### **Conclusion and Next Steps**

27. The adoption of the revised standards will support the delivery of a robust internal audit service. The implementation of the management action plan and associated Quality Assurance Improvement Programme will ensure compliance with the PSIAS.

### **Appendices:**

Appendix A – Public Sector Internal Audit Standards – Management Action Plan

### **Background Papers:**

Public Sector Internal Audit Standards

### **Location of papers:**

N/A

## Public Sector Internal Audit Standards – Management Action Plan

Ref.	Management Action	Responsible Officer	Target Date for Completion
1.	Revise the Internal Audit Charter to reflect the requirements of the PSIAS. Present Charter to Senior Management prior to submission to Audit Committee for approval.	Head of Internal Audit and Risk	31 <sup>st</sup> January 2014
2.	Revise the documentation for individual audit assignments to ensure all elements of engagement planning are reflected, as required by the Standards.	Head of Internal Audit and Risk	31 <sup>st</sup> January 2014
3.	Develop a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit service and enables conformance with all aspects of the PSIAS to be evaluated.	Head of Internal Audit and Risk	31 <sup>st</sup> March 2014.
4.	Make provision for external as well as internal assessment of Internal Audit.	Chief Finance Officer	31 <sup>st</sup> Dec 2013 (Internal) 31 <sup>st</sup> March 2016 (External)
5.	Further develop the assurance mapping process to ensure appropriate account is taken of other sources of assurance when providing overall assurance to the Council.	Head of Internal Audit and Risk	31 <sup>st</sup> March 2014
6.	Ensure that the risk based audit plan is developed in accordance with PSIAS.	Head of Internal Audit and Risk	31 <sup>st</sup> March 2014

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**Meeting:**        **Audit Committee**

**Date:**            **13 January 2014**

**Subject:**        **Internal Audit Charter**

**Report of:**      **Chief Finance Officer**

**Summary:**      This report proposes the adoption of an Internal Audit Charter in compliance with the Public Sector Internal Audit Standards applied in the UK, based upon international standards which were adopted on 1<sup>st</sup> April 2013.

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

Public/Exempt:        Public

Wards Affected:        All

Function of:            Audit Committee

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

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

### **Financial:**

1.        There are no direct financial implications from adopting this Charter.

### **Legal:**

2.        None directly from this report.

### **Risk Management:**

3.        Although there are no specific risks from the issues identified in the report, the outcome of implementing the Audit Charter is for the Council to better manage its risks, thereby increasing protection from adverse events.

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

4.        None directly from this report.

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

5.        None directly from this report.

### **Public Health**

6.        None directly from this report.

### **Community Safety:**

7.        None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to:**

- 1. Consider and endorse, with appropriate comment, the Internal Audit Charter.**

**Background**

10. The Audit Committee has a key role in ensuring that effective corporate governance arrangements are in place within the Council, and subsequently maintained. The Internal Audit Charter provides evidence of such arrangements in respect of the Internal Audit function and has been updated to reflect the recent adoption of the Public Sector Internal Audit Standards.
11. Public Sector Internal Audit Standard 1000 requires the Purpose, Authority and Responsibility of the Internal Audit function to be defined in an Audit Charter. In addition, the Internal Audit Charter establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit and Risk's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of audit work; and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the Audit Committee.
12. The Internal Audit Charter should also refer to:
- The nature of assurance services provided to the Council
  - Organisational independence
  - Individual objectivity
  - Impairment to independence or objectivity
  - Proficiency and due professional care
  - Continuing professional development
  - Quality Assurance and improvement programme – internal and external.

13. The attached Charter seeks to address these requirements and also describes the contribution that Internal Audit makes to the Council and includes:
  - Internal Audit's purpose and responsibilities
  - Independence and objectivity
  - Competencies and standards
  - Internal Audit planning
  - Nature of work
  - Internal Audit reporting
  - Quality assurance
  - Fraud and Corruption
  - Rights of access.
14. The updated Charter replaces both the Internal Audit Strategy and the Internal Audit Charter previously approved by the Committee. Both these documents complied with the CIPFA Code of Practice 2006, which was the predecessor to these standards. The previous Charter has been renamed as the Internal Audit Engagement Protocol, a description which better fits its contents.
15. The Charter has been considered and approved by senior management.
16. A copy of the proposed Charter is attached at Appendix A.

### **Conclusion and Next Steps**

17. The approval of the Charter by the Audit Committee will help ensure that Internal Audit can progress its work in line with the Public Sector Internal Audit requirements.

### **Appendices:**

Appendix A – Internal Audit Charter

### **Background Papers:**

Public Sector Internal Audit Standards

### **Location of papers:**

N/A

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# **Internal Audit & Risk Internal Audit Charter**

November 2013



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## Internal Audit Charter

### 1 Introduction

- 1.1 This Charter defines Internal Audit's purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS). It establishes Internal Audit's position within the Council, including functional reporting relationships with the Audit Committee (referred to in the PSIAS as "the Board"), authority to access records, personnel and physical properties relevant to the performance of the engagements, and defines the scope of the Internal Audit Activity.
- 1.2 The Charter has been agreed with senior management and was approved by the Audit Committee on XXXX
- 1.3 The Charter will be subject to periodic review by the Head of Internal Audit and Risk, in consultation with senior management and significant revisions will be presented to the Audit Committee for approval.

### 2 Statutory Role

- 2.1 The authority for the internal audit function is derived from statute. The requirement for an Internal Audit function for local authorities is set out in section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of these affairs". The Chief Finance Officer has this responsibility within the Council.
- 2.2 Regulation 6 of the Accounts and Audit Regulations 2011 more specifically requires that:

"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices".

The Chief Finance Officer has sought to achieve this through the establishment of an efficient and effective Internal Audit Service.
- 2.3 There is a statutory requirement for Internal Audit to work in accordance with "proper audit practices". Internal Audit will seek to fulfil its role through adherence to the mandatory Public Sector Internal Audit Standards (PSIAS) which were effective from 1st April 2013.
- 2.4 The Council recognises that all officers of internal audit shall, in relation to the activities of the Council and as required by the Council's Constitution:
  - Have access to physical properties relevant to the performance of engagements, and
  - Be supplied with any documentation, records (either paper or electronic) or explanations of transactions requested by them.

### 3. Purpose

- 3.1 Internal Audit is defined by the PSIAS as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.
- 3.2 In a local authority Internal Audit provides independent and objective assurance to the organisation, its Members, senior management and the Chief Finance Officer. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council’s governance, risk management and internal control systems.
- 3.3 Within the Council, the overall aim of Internal Audit is:  
“To deliver a risk based audit plan in a professional, independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment, and to make recommendations to improve it, that are proportionate and demonstrably add value and support the delivery of the Council’s vision to its customers”.
- 3.4 The Terms of Reference of Internal Audit are summarised within the Code of Financial Governance (section 5.4).

### 4. Responsibilities, Scope and Objectives

- 4.1 Internal Audit and Risk supports the Council in its vision and strategic priorities, which sets the Council’s focus over the coming years.
- 4.2 The Head of Internal Audit and Risk is required to provide an annual opinion to the Council and to the Chief Finance officer, through the Audit Committee, on the adequacy and the effectiveness of the internal control system for the whole Council.
- 4.3 The scope of internal audit as set out in the Constitution, includes reviewing, appraising and reporting on the following:
  - The soundness, adequacy and application of internal controls;
  - The safeguards for council assets and interests from losses of all kinds arising from theft, fraud, waste, extravagance, inefficient management, poor value for money or any other cause;
  - The suitability and reliability of financial and other management data; and
  - Compliance with rules, legislation, policy and procedures.
- 4.4 In order to deliver this, Internal Audit has the following objectives:
  - To provide a quality, independent and objective audit service that effectively meets the Council’s needs, adds value, improves operations and helps protect public resources

- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
  - To provide a systematic disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes (more details of the nature of this work is set out on Appendix A).
  - To provide assurance that significant risks to the Council's objectives are being managed
  - To provide advice and support to management to enable an effective control environment to be maintained
  - To promote an anti fraud, anti bribery and anti corruption culture within the Council to aid the prevention and detection of fraud, and
  - To investigate allegations of fraud, bribery and corruption (with the exception of benefits fraud, which is investigated by the Benefits Team).
- 4.5 In addition to delivering the agreed audit plan, Internal Audit also carry out special reviews or assignments where requested by management, which fall outside the approved work plan and for which a contingency is included within the audit plan.
- 4.6 The Head of Internal Audit and Risk cannot be expected to give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control within their area of responsibility. They should ensure that appropriate and adequate control and risk management processes, control systems, accounting records, financial processes and governance arrangements exist without depending on internal audit activity to identify weaknesses.
- 4.7 The delivery of the Internal Audit Service is in accordance with the Internal Audit Engagement Protocol (previously known as the Internal Audit Charter).

## **5. Independence and Accountability**

- 5.1 Internal Audit will remain independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.
- 5.2 The Head of Internal Audit and Risk has direct access and freedom to report in his/her own name and without fear or favour to all officers and members, particularly to those charged with governance. Accountability for the response to the advice and recommendations of Internal Audit lies with management to either accept and implement the advice or formally reject it. Reviews will be assigned to auditors and rotated between the various audit managers in order to ensure independence in their reviews and maximisation of skills.
- 5.3 Although Internal Audit co-ordinates risk management activity across the Council, it remains independent of other non-audit activities, in order to ensure that there are no conflicts of interest. Internal auditors are required to declare any personal interests which may impact on their objectivity and these are factored into audit planning.
- 5.4 Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance

work undertaken will be reported to the Audit Committee. To maintain independence, any audit staff involved in significant consulting activity will not be directly involved in the audit of that area for at least 12 months, or their involvement will be managed by someone independent of the consultancy activity.

## 6. Due Professional Care

- 6.1 The Internal Audit function is bound by the following standards:
- Institute of Internal Auditor's International Code of Ethics (see Appendix B)
  - Seven Principles of Public Life (Nolan Principles) – (see [www.public-standards.gov.uk](http://www.public-standards.gov.uk))
  - UK Public Sector Internal Audit Standards
  - All Council Policies and Procedures
  - All relevant legislation.

## 7. Quality Assurance

- 7.1 Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.
- 7.2 A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Internal Audit and Risk is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.
- 7.3 Internal Auditors are expected to:
- Exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity,
  - Apply confidentiality as required by law and best practice, and
  - Obtain and record sufficient audit evidence to support their findings and recommendations.
- 7.4 The Head of Internal Audit and Risk develops and maintains a set of performance indicators that are reported to the Chief Finance Officer and the Audit Committee.

## 8. Reporting

- 8.1 The UK Public Sector Internal Audit Standards require the Head of Internal Audit and Risk to report at the top of the organisation and this is done in the following way:
- 8.2 Internal Audit and Risk report their findings in writing to appropriate officers, as agreed in the audit brief, against four assurance opinions (Full, Adequate, Limited and No Assurance). These are detailed at Appendix C. The Head of Internal Audit and Risk

sets standards for reporting and makes arrangements for their review and approval before issue. 8.3 The Head of internal Audit and Risk reports regularly to the Chief Finance Officer and at least three times a year to the Audit Committee on progress against the Annual Audit plan and other issues of concern in respect of the control environment and emerging issues. The Audit Committee meets at least four times a year and has an agreed work plan for the year. In addition, the Head of Internal Audit and Risk produces an Annual Report to the Chief Finance Officer and Audit Committee on the main issues raised by Internal Audit during the year and on the performance of Internal Audit. In particular, the Annual report:

- Includes an opinion on the overall adequacy and effectiveness of the Council's control environment
- Discloses any qualification to that opinion, together with the reasons for the qualifications
- Presents a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies
- Draws attention to any issues that the Head of Internal Audit and Risk considers relevant to the preparation of the Annual Governance Statement
- Compares the work actually undertaken against the work that was planned
- Summarises the performance of Internal Audit against its performance measures, and
- Comments on compliance with the Public Sector Internal Audit Standards and communicates the results of the Internal Audit quality assurance and improvement programme.

8.4 As required by the PSIAS any significant consulting activity not already included in the Audit Plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee.

## **9. Internal Audit Resources**

- 9.1 Internal Audit will be appropriately staffed in terms of numbers, qualifications and experience, having regard to its objectives and to the standards within which it is required to operate.
- 9.2 The Head of Internal Audit and Risk is responsible for ensuring that the resources of the internal audit section are sufficient to meet its responsibilities and achieve its objectives. They will also ensure that the appropriate mix of qualifications, experience and audit skills exist within the unit.
- 9.3 If a situation arose whereby internal audit resources were insufficient, the Head of Internal Audit and Risk will discuss this with the Chief Finance Officer.
- 9.4 Internal Auditors will maintain their professional competence through an appropriate ongoing development programme.
- 9.5 It may be necessary, from time to time, to buy in either agency staff or sub-contractors, of a suitable quality.

## 10. Fraud and Corruption

- 10.1 Audit procedures alone, even when performed with due professional care, cannot guarantee the detection of fraud or corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. The Internal Audit Team will include auditors with fraud investigation skills, and will continue to actively participate in the National Fraud Initiative (NFI). Management may request Internal Audit to undertake fraud and special investigations.
- 10.2 In accordance with the Council's Anti Fraud and Corruption Strategy (including Anti Bribery) Members, officers, and staff must report any allegations of fraud to Internal Audit or other appropriate officer, such as the Chief Executive, Chief Finance Officer, or Monitoring Officer.
- 10.3 Internal Audit proactively raises awareness on anti fraud matters. The team is tasked with ensuring that appropriate counter fraud and corruption actions are taken in line with the National Fraud Authority's (NFA) Fighting Fraud Locally Initiative and other relevant national campaigns.



## **NATURE OF WORK**

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

### **Governance**

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

Promoting appropriate ethics and values within the organisation

Ensuring effective organisational performance management and accountability

Communicating risk and control information to appropriate areas of the organisation

Coordinating the activities of and communicating information among the Audit Committee, external and internal auditors and management.

The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.

### **Risk Management**

- Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:
- Organisational objectives support and align with the organisation's mission:
- Significant risks are identified and assessed
- Appropriate risk responses are selected that align risks and their mitigation with the organisation's risk appetite
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages risk.

When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

## Control

The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance operations and information systems regarding the:

- Achievement of the organisation's strategic objectives
- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations and programmes
- Safeguarding of assets, and
- Compliance with laws, regulations, policies, procedures and contracts.

In accordance with the PSIAS, most individual audits are undertaken using the risk based systems audit approach, the key elements of which are listed below:

- Identify and record the objectives, risks and controls
- Establish the extent to which the objectives of the system are consistent with higher level corporate objectives
- Evaluate the controls in principle to decide whether or not they are appropriate and can be relied upon to achieve their purpose
- Identify any instances of over and under control
- Determine whether an appropriate strategy to test the effectiveness of controls, i.e. through compliance and/or substantive testing.
- Arrive at conclusions and produce a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

## APPENDIX B

### Public Sector Internal Auditing Standards – Code of Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics within the Standards. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

There are four principles in the Code of Ethics:

1. **Integrity** – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
2. **Objectivity** – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
3. **Confidentiality** – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
4. **Competency** – Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services.

Internal auditors who work in the public sector must also have regard to the Seven Principles of Public Life (Nolan Principles).

**APPENDIX C**

**Audit Opinions**

<b>Full Assurance</b>	<b>Adequate Assurance</b>	<b>Limited Assurance</b>	<b>No Assurance</b>
Good controls	Adequate controls	Limited controls	Inadequate controls
Low risk of not meeting objectives	Medium/Low risk of not meeting objectives	Medium risk of not meeting objectives	High risk of not meeting objectives
Low risk of fraud, negligence, loss, damage to reputation	Medium/Low risk of fraud, negligence, loss, damage to reputation	Medium risk of fraud, negligence, loss, damage to reputation	High risk of fraud, negligence, loss, damage to reputation
<i>Level of Assurance: High</i>	<i>Level of Assurance: Medium</i>	<i>Level of Assurance: Medium/Low</i>	<i>Level of Assurance: Low</i>

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**Meeting:** Audit Committee  
**Date:** 13 January 2014  
**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 2013/14.

---

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

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

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

### **Financial:**

1. None directly from this report. However, sound systems assist in preventing loss of resources (by other wastage or fraud), thereby improving effectiveness and efficiency.

### **Legal:**

2. None directly from this report.

### **Risk Management:**

3. No risk management implications come directly from this report but the Audit Plan was produced using a risk based approach, following the completion of a detailed Audit Needs Assessment which took into account strategic and service area risks.

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

4. None directly from this report.

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

5. None directly from this report.

### **Public Health**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to:**

1. **Consider and comment on the contents of the report.**

**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 2013/14 Audit Plan in April 2013. This report provides an update on progress made against the plan up to the end of November 2013.

**Progress on the 2013/14 Internal Audit Plan**

**Managed Audits**

13. Work is progressing on the 2013/14 managed audit reviews and the progress made to date is summarised at Appendix A.
14. The primary focus of the work undertaken 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. Substantive testing has also been undertaken, where appropriate.

15. Recognising the need to communicate initial findings, meetings have been held where possible where draft recommendations and provisional audit opinions have been discussed. The outcomes of these reviews are set out at Appendix A. It is important to recognise that the opinions given are provisional based upon audit testing undertaken to date, and verbal updates will be given to the Committee. During recent discussions with the external auditors it has been agreed that further substantive testing to cover the whole year will be required and the opinions may be revised once the substantive testing for the whole year has been undertaken.
16. The reviews have taken account of new Government initiatives, such as the Council Tax Support Scheme and Localised Business Rates and also internal system changes, designed to deliver service improvement, such as the SAP Optimisation Project and the move towards a paperless working environment.

### **Other Audit Work**

17. In addition to work on managed audits, work has been finalised on the following reviews:
  - Domiciliary Care Units – Adequate assurance
  - SAP Access and Security – Limited
  - Biggleswade Day Centre – Adequate
  - Leighton Buzzard Day Centre – Adequate
  - Ethical Governance – Members sitting on Outside Bodies – Adequate
  - Amey Fixed Cost Services – Adequate
  - IT Disaster Recovery - Limited

Work has also been finalised on the following consultancy reviews for which, due to the nature of the work, an audit opinion has not been given:

- Mileage Expenses – External workers
  - Review of Procurement Process for Sponsorship Contract
  - Direct Schools Grant (DSG) Outturn Statement Review
18. Internal Audit has continued to be engaged in several projects and new initiatives in order to provide advice and guidance on the control environment during implementation.
  19. 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)**

20. We continue to complete work around the National Fraud Initiative (NFI). This involves supplying data to the Audit Commission for matching purposes and then investigating any of the positive matches. The 2012-13 exercise has not identified any savings to date, however, exercises to identify matches of single person discount against the electoral roll and also to identify potential duplicate payments are in progress and the outcome of this work will be reported to a future committee.

### Fraud and Special Investigations

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

### Schools

24. The rolling programme of school audit visits has continued. To date this year 9 school reports have been finalised, and 3 further draft reports have been prepared.

### Performance Management

26. 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.

#### 27. **Activities for 1 April 2013 – 30<sup>th</sup> November 2013**

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	62%	52%	70%	80%
KPI02	Percentage of the number of planned reviews completed.	47%	45%	48%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	70%	75%	60%	75%
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.	81%	80%	84%	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	100%	80%	100%	100%
KPI06	Overall customer satisfaction.	86%	80%	95%	80%



28. Analysis of indicators:

KPI01 – As at the end of November Internal Audit has delivered a total of 777 productive audit days against a total of 1,260 planned days for the year. This is above the target of 52%

KPI02 – This KPI measures final reports issued to date. 47% of the planned reviews have been completed to final report stage along with milestones reached for Managed Audit work. This is consistent with the previous year.

KPI03 – 70% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is below the target agreed for the year, but does represent an improvement on the previous year.

KPI04 – This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. This is on target.

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

KPI06 – A total of 32 surveys have been sent out. 14 responses have been received to date. The responses received have been positive.

**Conclusion and Next Steps**

29. Internal Audit has continued to support the drive to further strengthen internal control within Central Bedfordshire Council. Work is progressing to deliver the agreed plan by the year end.
30. An update on audit progress will be presented to the next Audit Committee.

**Appendices:**

Appendix A – Progress on Audit Activity

**Background Papers:**

None

**Location of papers:**

N/A

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<u>IA Ref</u>	<u>Audit Title</u>	<u>2013/14</u> <u>Days</u>	<u>Position as at</u> <u>end</u> <u>November</u> <u>2013</u>	<u>Opinion</u>
<b>Carry over Work</b>				
	<b>Completion of reviews in progress as at 31st March</b>	150		
	2012/13 Phase 2 Accounts Payable/Purchase Ledger ( including feeder systems)		Final report issued	Adequate
	2012/13 Phase 2 Accounts Receivable/Sales Ledger		Final report issued	Adequate
	2012/13 Phase 1 Asset Management (incl. Asset Register)/Capital Accounting		Final report issued	Adequate
	2012/13 Phase 2 Asset Management (incl. Asset Register)/Capital Accounting		Final report issued	Adequate
	2012/13 Phase 2 Council Tax		Final report issued	Full
	2012/13 Phase 2 Housing Benefits		Final report issued	Adequate
	2012/13 Phase 2 Main Accounting Systems (MAS)		Final report issued	Adequate
	2012/13 Phase 2 National Non Domestic Rates NNDR		Final report issued	Full
	2012/13 Phase 2 Payroll		Final report issued	Limited
	SWIFT Financials		Final report issued	Adequate
	2012/13 Phase 2 Treasury Management		Final report issued	Adequate
	2012/13 SAP Access and Security		Final report issued	Limited
	2012/13 IT Disaster Recovery		Final report issued	Limited
	Grants Register		Final report issued	Adequate
	Contractors Home to Work mileage		Finalised	n/a
	ICT Contract Management		Scoping in Progress	
	IT Governance Phase 2		Work planned	
	SWIFT Disaggregation Consultancy		Completed	n/a
	Contract Management - Amey		Final report issued	Adequate
	Data Quality		Draft report issued	
	Ethical Governance		Final report issued	Adequate
	Biggleswade Day Centre		Final report issued	Adequate
	Leighton Buzzard Day Centre		Final report issued	Adequate
	Domiciliary Care Units		Final report issued	Adequate
	Direct Payments for Care		Final draft issued	
	Service Level Agreements - Follow Up		Final report issued	Satisfactory progress
	Hawthorn Park Lower School Follow Up		Final report issued	Satisfactory progress
	Sutton Lower School		Final report issued	Adequate
	Templefield Lower School		Final report issued	Adequate
	The Lawns Nursery		Final report issued	Adequate
<b>Total - Carry over Work</b>		<b>150</b>		

<u>IA Ref</u>	<u>Audit Title</u>	<u>2013/14</u> <u>Days</u>	<u>Position as at</u> <u>end</u> <u>November</u> <u>2013</u>	<u>Opinion</u>
<b>Managed Audits (Key Financial Systems)</b>				
	Accounts Payable/Purchase Ledger ( including feeder systems)	35	Fieldwork completed	Adequate (Provisional)
	Accounts Receivable/Sales Ledger	30	Fieldwork ongoing	Adequate (Provisional)
	Asset Management (incl. Asset Register)/Capital Accounting	30	Scoping in Progress	
	Council Tax	35	Fieldwork ongoing	
	Housing Benefits (including Council Tax Support Scheme)	45	Fieldwork ongoing	
	Main Accounting Systems (MAS)	30	Fieldwork ongoing	Adequate (Provisional)
	National Non Domestic Rates NNDR	35	Fieldwork ongoing	
	Payroll	40	Fieldwork ongoing	
	SWIFT Financials	15	Fieldwork commenced	
	Treasury Management	25	Fieldwork completed	Adequate (Provisional)
	Housing Rents including tenant arrears	25	Fieldwork ongoing	Adequate (Provisional)
	Cash And Banking (Non Invoiced Income)	20	Fieldwork completed	Adequate (Provisional)
<b>Total - Managed Audits</b>		<b>365</b>		
<b>Assurance Audits - Organisation and People</b>				
	Recruitment Controls ( including vetting)	15	Scoping in Progress	
	Data Quality	15	Scoping in Progress	
<b>Total- Organisation and People</b>		<b>30</b>		
<b>Assurance Audits - Corporate Services</b>				
	Teachers Pensions	15	Scoping in progress	
	Major projects - Consultancy	20	Ongoing. Work undertaken includes ESS/MSS, Routewise, and the Local Welfare Provision Board	n/a
	Impact of Welfare Reform	15	Scoping in progress	
	Adherence to Procurement Procedures	15	Scope agreed	
	DSG - outturn compilation	5	Finalised	n/a
<b>Total - Corporate Services</b>		<b>70</b>		
<b>Assurance Audits - Children's Services</b>				
	Schools General - School Improvement	80	Ongoing. 9 final reports issued, and 3 further draft reports prepared.	
	Corporate Financial Management	10	Scope agreed	
<b>Total - Children's Services</b>		<b>90</b>		

<u>IA Ref</u>	<u>Audit Title</u>	<u>2013/14 Days</u>	<u>Position as at end November 2013</u>	<u>Opinion</u>
<b>Assurance Audits - Social Care, Health and Housing</b>				
	Housing Repairs	25	Draft report issued	
	Domiciliary Care Framework Agreement	10	Scoping in Progress	
	Financial Management	15	Scoping in Progress	
	Direct Payments	15	Not started	
	Independent review of Care Homes Contract Model	10	Fieldwork commenced	
<b>Total - Social Care, Health and Housing</b>		<b>75</b>		
<b>Assurance Audits - Sustainable Communities</b>				
	Section 278 Agreements	15	Scoping in Progress	
<b>Total - Sustainable Communities</b>		<b>15</b>		
<b>Assurance Audits - Governance</b>				
	Officers Declaration of Interests - Follow Up	5	Final report issued	Satisfactory progress
	Members Declaration of Interests	5	Draft report issued	
	Officers Hospitality and Gifts - Follow Up	5	Work planned	
	Members Hospitality and Gifts - Follow Up	5	Work planned	
<b>Total - Governance</b>		<b>20</b>		
<b>Assurance Audits - Contracts and Partnerships</b>				
	Contracts Management	20	Fieldwork ongoing	
	Value for Money review of spend on legal advice	15	Final draft report issued	
<b>Total - Contracts and Partnerships</b>		<b>35</b>		
<b>Assurance Audits - ICT</b>				
	Customer First Information Security	15	Not started	
	IT Disaster Recovery	10	Work planned	
	SAP Access and Security	10	Work planned	
	ICT Governance Phase 2	15	Work planned	
	IT Network Management and Security	15	Not started	
<b>Total - ICT</b>		<b>65</b>		
<b>Assurance Audits - Public Health</b>				
	Review of SLAs	15	Scoping in Progress	
<b>Total - Public Health</b>		<b>15</b>		
<b>Special Investigations</b>				
	National Fraud Initiative (NFI)	20	ongoing throughout year	n/a
	Special Investigations Pro Active Anti Fraud:	40	ongoing	n/a
	Timesheet claims	10	Scoping in Progress	
	Expense claims	10	Work planned	
<b>Total - Special investigations</b>		<b>80</b>		
<b>Ad Hoc Consultancy etc,</b>				
	Risk Management Activities	35	ongoing throughout year	n/a
	Supporting Annual Governance Statement	5	12/13 AGS finalised	n/a

<u>IA Ref</u>	<u>Audit Title</u>	<u>2013/14</u> <u>Days</u>	<u>Position as at</u> <u>end</u> <u>November</u> <u>2013</u>	<u>Opinion</u>
	Audit of Individual Grants	20	ongoing	n/a
	General Advice	20	ongoing throughout year	
	Head of Audit Chargeable Against Plan	60	ongoing throughout year	n/a
	Benchmarking Exercise	5	Completed	n/a
	Contingency	105	To date this has been used to supplement the consultancy budget	
<b>Total - Ad Hoc Consultancy etc.</b>		<b>250</b>		
<b>TOTAL CHARGEABLE DAYS REQUIRED</b>		<b>1260</b>		

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**Meeting:** Audit Committee  
**Date:** 13 January 2014  
**Subject:** Risk Update Report  
**Report of:** Charles Warboys, Chief Finance Officer  
**Summary:** The purpose of this report is to give an overview of the Council's risk position as at November 2013.

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

## **CORPORATE IMPLICATIONS**

### **Council Priorities:**

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

### **Financial:**

1. None directly from this report.

### **Legal:**

2. There are no direct legal implications.

### **Risk Management:**

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

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

4. There are no direct staffing issues.

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

5. None directly from this report.

**Public Health:**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to:**

1. **Consider and comment on the contents of the report.**

**Background**

10. The Terms of Reference of the Audit Committee include the monitoring of the operation of the Risk Management Strategy. This report is the regular update report to assist the Committee in discharging its responsibilities.
11. The purpose of this report is to give an overview of the Council's risk position as at November 2013.

**Strategic Risks**

12. As reported to the September Audit Committee, a fundamental refresh of the Strategic Risk Register has been undertaken. This has involved discussion with senior managers across the Council.
13. As a result of this work, a number of new risks and changes to risks were identified and these have subsequently been considered by the Risk Matters Group and the Directorate Risk Co-ordinators. In addition, our principal insurers, Zurich, facilitated a Risk Workshop in November which was attended by Risk Co-ordinators and this provided an opportunity to reflect on the risks and challenges facing the Council.
14. This update report reflects the outcome of the work undertaken to date and includes a number of revisions.
15. The November risk report is contained at Appendix A. The report contains 13 strategic risks.



16. There are 11 strategic risks with a residual risk score of 9 or more. A score of 9 or more generally represents an unacceptable risk exposure, with further mitigation required.
17. The risks have been reconsidered and the key revisions are set out below.
18. The risk register contains a risk relating to financial pressures (STR0001). This has previously been described as Budget Control Failure. However, when refreshing this risk the description has been revised to “Significant reduction or redirection of funding”. This now also reflects the risks associated with the switch of funding streams to other bodies and the risk of the Council failing to exert appropriate influence on decision making bodies who are receiving redirected funding. The residual risk score has increased from 10 to 12 as a result. Additional mitigating actions have been identified.
19. Following the development of the SCHH Directorate Plan, the strategic and operational risks for the directorate will be reviewed and refined and the outcome of this review will be reflected within the strategic risk register, as appropriate. At this stage, there are no revisions to the strategic risks.
20. The Growth strategic risk (STR0003) has been reviewed and updated to reflect the current situation regarding the Development Strategy. Mitigating actions, control measures and further planned actions have been updated.
21. The Strategic Risk Register previously contained 2 risks relating to ICT/Data Management. STR0008 related to the failure of core business systems and STR0016 related to core infrastructure failure. IT risks have been reviewed and one revised risk has been developed to cover the overall risk of failure or disruption to key parts of the Council’s ICT systems. The inherent risk score is 20 (previously 16), and the residual risk score is 16. Control measures have also been updated and further planned actions are reflected.
22. The description of STR0010 – Protecting Children – has been revised to read “Failure to respond to increasing cases and implement child protection procedures due to insufficient resources and professional/skilled workforce”. Whilst there has been no change to the risk scores, control measures have also been updated and further planned actions are reflected.
23. The Information Management Strategic risk (STR0013) narrative has been amended to reflect the risk of a lack of consistent information management and data accuracy across the organisation and the risk of non compliance with the Data Protection Act and Freedom of Information management issues. The inherent risk score has been amended from 12 to 15 and the residual risk score is also 15. The target risk score is 12. Control measures have also been updated and further planned actions are reflected.
24. The Localism risk (STR0015) has been refreshed. The nature of the risk has been reworded as “New Community Rights and alternative models of service delivery”. The inherent risk score has been amended from 12 to 6 and the residual risk score has been amended from 6 to 4. This reflects the implementation of mitigating actions and a re-evaluation of the risk posed to the Council.

25. Procurement risks have been reassessed and a new strategic risk has been added to the register, referenced STR0022. This relates to the risk that the Procurement Service fails to deliver best value through its strategic delivery processes. The inherent risk score is 16. Mitigating actions have been identified and further control measures have been identified. The residual risk score is 12. This risk replaces the previous Contracts risk (STR0007).
26. Following a review by the Improvement and Corporate Services Management Team (ICSMT) the relocation of the Contact Centre from Bedford to Dunstable has also been identified as a strategic risk (STR0023). There are service disruption risks associated with the move. Mitigating actions have been identified; however, both the inherent and residual risks have a score of 15.
27. The following risks have been removed from the strategic risk register as being no longer matters of strategic concern:  
STR0017 – Failure to effectively manage the transfer of responsibilities for Public Health Services to the Council  
STR0018 – Lack of application of robust project assurance and robust management arrangements
28. There are no revisions to the remaining strategic risks.
29. The risks with the highest residual exposure are the Growth Strategic risk (STR0003), and the failure or disruption of the Council's IT systems (STR0008), Both have a residual risk score of 16.
30. Work is continuing on developing and documenting assurance maps in order to provide a transparent overview of the assurance framework supporting the Council's key strategic risks. This work supports the development of the Internal Audit Plan and is also a source of assurance to support both the Annual Governance Statement and the Annual Internal Audit Opinion.

**OPERATIONAL RISKS:**

31. The risk report also highlights the key operational risks facing the Council. These have been drawn directly from Directorate risk registers as uploaded onto the JCAD risk management system.
32. The Risk Co-ordinators have been working to ensure that the directorate operational risk registers reflect any key operational risks that may be common to all service areas. A number of core risks were identified for consideration and inclusion, as appropriate. Work is in progress to further develop this.
33. The dashboard has listed the 11 operational risks with a risk score of 15 or above.
34. The highest rated operational risk continues to relate to the potential loss of revenue/income generation within the Assets Disposals Programme (RES060008).

35. Since the last update report a considerable amount of work has been done to develop the Improvement and Corporate Services operational risk registers. As a result, three additional risks have been added to the Top Operational risk list. Further work is required to update the Assets operational risk register.
36. Work is also progressing with Public Health colleagues to bring their risk reporting into line with CBC.

**Conclusion and Next Steps**

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

**Appendices:**

Appendix A –November Risk Summary Dashboard

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

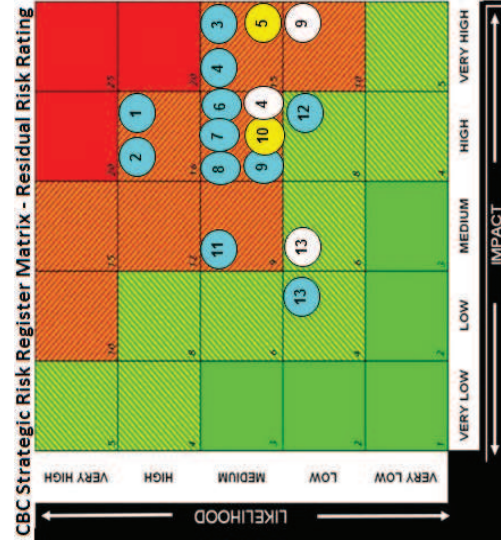
None

**Location of papers:**

N/A

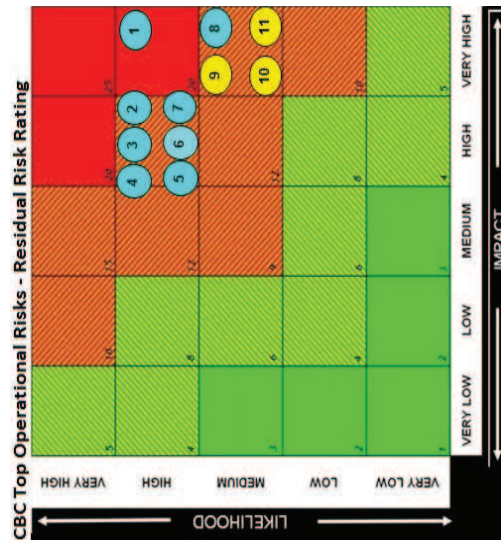
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NOT FINISHED



Reference	Nature of Risk	2012/13				2013/14			
		June	Aug	Nov	Dec	June	Aug	Nov	Dec
STR0003	Growth a risk that failure to adopt a 'sound' Development Strategy and subsequently deliver the levels of housing, jobs or infrastructure proposed for growth and regeneration of the area in a planned way.								
STR0008	Failure or disruption to key parts of the Council's ICT systems.								
STR0019	Failure to deliver effective and cohesive Health and Social Care to local residents.								
STR0013	Information Management: a lack of consistent information management and data accuracy across the organisation and the risk of non-compliance with the Data Protection Act.								
STR0023	Customer Contact Centre Service Management - risk of decrease in service provision and quality.								
STR0006	Health & Safety: a risk that failure of members, managers and employees to recognise their responsibilities to fully comply with health and safety legislation.								
STR0010	Failure to respond to increasing cases and implement child protection procedures due to insufficient resources and professionally skilled workforce.								
STR0020	Failure to improve adult protection safeguarding practices.								
STR0001	Significant reduction in or redirection of funding due to Central Government cuts, or loss of grant or other funding e.g. Health funding, Schools' finance regulations.								
STR0022	Procurement service fails to deliver best value through its strategic delivery processes.								
STR0005	The implications of failing to act on the waste agenda.								
STR0009	Failure of partnerships as a result of conflicting priorities: there is a risk that the Council is unable to develop and manage effective partnerships and influence the activities of the partnerships.								
STR0015	Localism: responding to the challenges of the Localism Act will require innovation in service delivery and a greater exposure to risk.								

#	Reference	Nature of Risk	Key
1	STR0003	Growth a risk that failure to adopt a 'sound' Development Strategy and subsequently deliver the levels of housing, jobs or infrastructure proposed for growth and regeneration of the area in a planned way.	
2	STR0008	Failure or disruption to key parts of the Council's ICT systems.	
3	STR0019	Failure to deliver effective and cohesive Health and Social Care to local residents.	
4	STR0013	Information Management: a lack of consistent information management and data accuracy across the organisation and the risk of non-compliance with the Data Protection Act.	
5	STR0023	Customer Contact Centre Service Management - risk of decrease in service provision and quality.	
6	STR0006	Health & Safety: a risk that failure of members, managers and employees to recognise their responsibilities to fully comply with health and safety legislation.	
7	STR0010	Failure to respond to increasing cases and implement child protection procedures due to insufficient resources and professionally skilled workforce.	
8	STR0020	Failure to improve adult protection safeguarding practices.	
9	STR0001	Significant reduction in or redirection of funding due to Central Government cuts, or loss of grant or other funding e.g. Health funding, Schools' finance regulations.	
10	STR0022	Procurement service fails to deliver best value through its strategic delivery processes.	
11	STR0005	The implications of failing to act on the waste agenda.	
12	STR0009	Failure of partnerships as a result of conflicting priorities: there is a risk that the Council is unable to develop and manage effective partnerships and influence the activities of the partnerships.	
13	STR0015	Localism: responding to the challenges of the Localism Act will require innovation in service delivery and a greater exposure to risk.	



Reference	Nature of Risk	2012/13				2013/14			
		June	Aug	Nov	Dec	June	Aug	Nov	Dec
RES060008	Loss of revenue/income generation affecting the Asset Disposal Programme i.e. cautious buyers, prolonged completion periods, and a depressed market nationally.								
SCH00004	Insufficient staff resources resulting in under or mis-direction of investment in the transformation of adult social care services.								
SCH00007	Partnerships: failure to establish a common vision with health and the delivery of joint commissioning strategies.								
SCH00008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda.								
SCH00005	Failure to develop a social care market to deliver positive outcomes and choices for people.								
ICT00002	Insufficient staff resources/capacity to deliver ICT services due to unconstrained project resource demands.								
ICT00001	Insufficient staff resources/capacity to respond to ICT incidents, changes and planned project work due to financial pressures facing the team, having to achieve 'more for less'.								
RES00018	Failure to meet legal requirements: Ability to respond to changes in legislation affecting finances i.e. NNDP, CT, Public Health.								
CUST00002	Failure to retain and recruit staff to customer services.								
CUST00003	Service disruption risks as a result of the relocation of the Contact Centre.								
LEG00001	Failure to provide effective legal support in respect of vulnerable children owing to lack of specialist staff.								

#	Reference	Nature of Risk	Key
1	RES060008	Loss of revenue/income generation affecting the Asset Disposal Programme i.e. cautious buyers, prolonged completion periods, and a depressed market nationally.	
2	SCH00004	Insufficient staff resources resulting in under or mis-direction of investment in the transformation of adult social care services.	
3	SCH00007	Partnerships: failure to establish a common vision with health and the delivery of joint commissioning strategies.	
4	SCH00008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda.	
5	SCH00005	Failure to develop a social care market to deliver positive outcomes and choices for people.	
6	RES050009	Insufficient staff resources/capacity to deliver ICT services due to unconstrained project resource demands.	
7	RES050008	Insufficient staff resources/capacity to respond to ICT incidents, changes and planned project work due to financial pressures facing the team, having to achieve 'more for less'.	
8	RES00018	Failure to meet legal requirements: Ability to respond to changes in legislation affecting finances i.e. NNDP, CT, Public Health.	
9	CUST00002	Failure to retain and recruit staff to customer services.	
10	CUST00003	Service disruption risks as a result of the relocation of the Contact Centre.	
11	LEG00001	Failure to provide effective legal support in respect of vulnerable children owing to lack of specialist staff.	

Assessing Impact	Impact Score	Impact Description	Example Description
Catastrophic	5	Total system shutdown, total shutdown of operations, sustained adverse publicity in national media, fatality or permanent disability	
Severe	4	All operational areas of a location compromised, other locations may be affected, financial loss up to £2m, sustained absence for more than 6 months	
Major	3	Disruption to a number of operational areas within a location and possible flow on to other locations, financial loss up to £200,000, sustained absence for more than 20 days	
Reasonable	2	Some disruption manageable by altered operational routine, financial loss up to £250k, significant adverse publicity in local media, short term absence for up to 5 people (single event)	
Low	1	Minor adverse publicity in local media, short term absence for up to 5 people (single event)	

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

**Overview of Risk Position - November 2013**  
The risks with the highest residual score are:  
STR0003 - Failure to deliver the planned growth target, and  
STR0008 - Failure or disruption to key parts of the Council's IT systems.  
The following risks have been rescored:  
STR0001 - Significant reduction or redirection in funding  
STR0003 - Information Management  
STR0005 - Localism  
Revisions to the descriptions or mitigating actions have been made for the following risks:  
STR0001 - Funding  
STR0003 - Growth  
STR0008/16 - ICT application failure  
STR0009 - Protecting Children  
STR0013 - Information Management  
STR0015 - Localism  
The following strategic risks have been removed:  
STR0017 - Public Health transfer  
STR0018 - Project assurance/management arrangements  
The following strategic risks have been added:  
STR0022 - Failure to deliver best value through Procurement, and  
STR0023 - Service disruption risks associated with relocation of Contact Centre.  
The mark above highlights the most noteworthy operational risks facing CBC. The highest operational risk relates to the potential loss of revenue/income within the Assets Disposal Programme.

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**Meeting:** Audit Committee  
**Date:** 13 January 2014  
**Subject:** Tracking of Audit Recommendations  
**Report of:** Charles Warboys, Chief Finance Officer  
**Summary:** This report summarises the high priority recommendations arising from Internal Audit reports and sets out the progress made in their implementation.

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**Advising Officer:** Charles Warboys, Chief Finance Officer  
**Contact Officer:** Kathy Riches , Head of Internal Audit and Risk  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Audit Committee

#### **CORPORATE IMPLICATIONS**

##### **Council Priorities:**

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

##### **Financial:**

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

##### **Legal:**

2. None arising directly from the report.

##### **Risk Management:**

3. None arising directly from the report. However, the Audit Committee has a role in providing independent assurance on the adequacy of the risk management framework and associated control environment, in line with the Corporate Risk Management Strategy.

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

4. None directly from this report.

**Equalities/Human Rights:**

5. None directly from this report.

**Public Health:**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to:**

1. **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 priority recommendations arising from internal audit inspections.
12. This paper represents the regular summary of high priority recommendations made to date, along with the progress made against implementation of those recommendations.

**Tracking High Priority Recommendations**

13. At the time of the last Audit Committee only one high priority recommendation made prior to April 2012 remained outstanding. This related to the 2009/10 SAP Access and Security (including ITDR) audit. The recommendation has been carried over to the 2012/13 IT Disaster Recovery Audit.



14. As has been reported to previous Committees, work is in progress to address this. There are a number of actions required to fully implement this recommendation. In order to enable the Committee to monitor progress made, the recommendation has been subdivided into a number of individual activities and progress against each of these elements is tracked at Appendix A.
16. Appendix B sets out the reports issued during 2012/13 that contain high priority recommendations. The table below provides a summary by Directorate.

17. **Table 1 - Summary of Additional High Priority Recommendations Made during 2012/13**

	Corporate Services	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	8	0	0	6	14	88
Ongoing- On schedule for completion within timescales GREEN	0	0	0	0	0	0
No work started Within target GREEN	0	0	0	0	0	0
Ongoing with deadline missed AMBER	2	0	0	0	2	12
No work started Deadline missed RED	0	0	0	0	0	0
Total Recs.	10	0	0	6	16	100

18. Appendix D provides the details of the 2 recommendations contained in Table 1 where implementation of the recommendation is running behind planned completion dates.
19. Eight reports containing high priority recommendations have been issued since April 2013. These are detailed in Appendix C. Fourteen high priority recommendations have been made. Appendix E provides the details of the single recommendation that 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 currently only 3 high priority recommendations that are amber (underway, with deadline missed).
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 priority recommendations have been implemented.

### **Appendices:**

Appendix A – Detailed Tracking of the 2009/10 SAP Access and Security (incl. IT DR) Managed Audit (2012/13 IT Disaster Recovery Audit) Recommendation

Appendix B - Details of monitoring of High Priority Internal Audit recommendations - Reports issued during 2012/13

Appendix C - Details of monitoring of High Priority Internal Audit recommendations - Reports issued during 2013/14

Appendix D - Details of recommendations made prior to April 2013 that remain outstanding (excluding IT DR)

Appendix E – Details of recommendations made since April 2013 that remain outstanding

### **Background Papers:**

None

**Location of papers:** N/A

**IT Disaster Recovery 2012/13**

**Recommendation R1:**

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

**Detailed Tracking of recommendation by activity**

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
<p>A Disaster Recovery Plan should be developed and approved. As a minimum, this should include:</p> <ul style="list-style-type: none"> <li>• the identification and prioritisation of key IT systems</li> </ul>	<p>A Disaster Recovery Plan (DRP) has been developed and approved by Information Assets Senior Management Team.</p> <p>There are a number of areas that require further work as detailed below.</p> <p>Information Asset's (IA) assessment of Business critical locations, operations and/or systems should be informed by Business Continuity Plans (BCPs). Senior Management approved BCP's should be used to define the agreed services and systems within IA's DRP.</p> <p>Emergency Planning to work with Directorates on BCP's and those agreed</p>	<p>Complete</p> <p>Once Service area/Directorates have agreed and approved BCP's</p>

Appendix A

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
<ul style="list-style-type: none"> <li>the roles and responsibilities of relevant officers and third party suppliers</li> </ul>	<p>BCP's should inform the IA DRP. A DRP to reflect BCP priorities as agreed by Senior Management. IA will meet with Emergency Planning and work with them to drive this forward.</p> <p>A recovery matrix will be developed and included in the DRP with prioritisation and categorisation columns. This will be presented to Senior Management for agreement and sign off.</p> <p>An initial meeting to discuss BCP's with Emergency Planning has been scheduled for January 2014.</p> <p>Completion of this recommendation is reliant on Service area/Directorates.</p>	<p>March 2014</p>
<ul style="list-style-type: none"> <li>a set of IT procedures which should be executed initially to react to crises/disaster</li> </ul>	<p>Engage Emergency Planning Team in development of IA DRP. Ensure that roles and responsibilities are clearly identified and agreed. IA to agree with Emergency Planning Team roles and responsibilities and update IA DRP with details of individuals to be contacted should DR be invoked. This is subject to the outcome of the meeting above.</p> <p>Detailed operational DR procedures to be developed and included in the DRP. Decision tree to be developed by IAMT to enable a structured and clear response to a DR event. Resolution of the recent system performance issues has contributed towards the minor delay.</p>	<p>January 2014</p>
<ul style="list-style-type: none"> <li>escalation procedures</li> </ul>	<p>Escalation procedures will be developed in-line with IA Structure and will be aligned with capabilities, knowledge and skill sets. See above.</p> <p>Escalation processes with Service areas/Directorates will be developed in conjunction with Emergency Planning and will incorporate BCP's.</p>	<p>January 2014</p> <p>Once Service areas/Directorates will have agreed and approved Directorate BCP's</p>
<ul style="list-style-type: none"> <li>salvage procedures that deal with retrieval of items from</li> </ul>	<p>Salvage process and procedures to be devised, working in partnership with ONI the co-location service provider, and included within DRP.</p>	<p>March 2014</p>

Appendix A

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
<p>affected sites</p> <ul style="list-style-type: none"> <li>the recovery and reconfiguration of all IT and communication systems</li> </ul>	<p>The proposed procedure will be developed and included in the DRP</p> <p>IA's DRP should detail the prioritisation of the Council services and systems in-line with the agreed Corporate BCP. Categorisation of those services should be identified within IA's DRP and the recovery order agreed with CMT.</p> <p>Business Continuity Plans should identify critical recovery time periods for their services before material losses. These time periods should be included in the recovery matrix of IA's DRP. Recovery Time Objectives (RTO) to be developed and included within the DRP.</p> <p>Recovery matrix to be developed and included in DRP with prioritisation, categorisation columns. It shall also include recovery time periods within IA's. Signed off by Information Assets Senior Management Team.</p> <p>RTO's to be developed and included in IA's DRP once recovery matrix is signed off and included.</p> <p>Completion of this recommendation is reliant on Service areas/Directorates.</p>	<p>Once Service areas/Directorates have agreed and approved BCP's</p>
<ul style="list-style-type: none"> <li>details of additional accounts where monies may be sourced to aid recovery efforts</li> </ul>	<p>An agreed fund for DR should be identified and held available to support recovery of services in the event of an emergency. Secure confirmation from section 151 officer concerning source of funding.</p> <p>This recommendation is reliant on Service areas/Directorates.</p>	<p>Once Service areas/Directorates have agreed additional funds</p>
<ul style="list-style-type: none"> <li>a schedule in respect of the testing of the plan</li> </ul>	<p>An agreed DR test plan to be developed in-line with the Recovery Matrix and DR testing to be undertaken on an annual basis. DR Tests already underway, and are continuing to be performed as part of the incremental programme of DR capability enhancement.</p> <p>Back-up testing has commenced as part of annual DR test plan and included with the DRP. Backup tests already underway, and will be performed as part of the incremental programme of DR capability enhancement. The SAN (Storage Area Network) backup process has been reviewed and Citrix 6.5 fail over testing</p>	<p>March 2014</p> <p>March 2014</p>

Appendix A

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
	<p>has been undertaken.</p> <p>Internal data centres have moved to externally hosted sites which are in-line with SAS-70 and/or BS-25999. The final data centre move was able to be moved forward.</p>	Complete

## Details of Monitoring of High Risk Internal Audit recommendations as at End November 2013 Reports issued during 2012/13

### FINANCE

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	01/08/2012	end Sept 2012	1	0	1	0	0	0	See R1
SWIFT Financials 2011-12	13/08/2012	end June 2012	4	4	0	0	0	0	
Payroll 2012-13 Phase 1	27/02/2013	end December 2013	5	4	1	0	0	0	See R2
<b>Total</b>			<b>10</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	

### SOCIAL CARE, HEALTH & HOUSING

Name	Date of Report	Original Expected completion of all Recommendations (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 4 ref
Housing Rents 2011-12 Phase 2	20/07/2012	end April 2012	1	1	0	0	0	0	
Assurance on Client Charging 2011-12	08/02/2013	end Nov 2012	2	2	0	0	0	0	
Amphill Day Centre	28/02/2013	end Jan 2013	3	3	0	0	0	0	
<b>Total</b>			<b>6</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

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**Details of Monitoring of High Risk Internal Audit recommendations as at End November 2013  
Reports issued during 2013/14**

**FINANCE**

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 5 ref
Grants Claim System	23/08/2013	30/12/2013	1	1	0	0	0	0	
Housing Benefits Phase 2 2012-13	25/07/2013	30/04/2013	1	1	0	0	0	0	
<b>Total</b>			<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

**SOCIAL CARE, HEALTH & HOUSING**

Name	Date of Report	Original Expected completion of all Recommendations (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 5 ref
Houghton Regis Day Centre	24/06/2013	31/07/2013	2	2	0	0	0	0	
Domiciliary Care Units 12-13	23/09/2013	31/10/2013	3	2	0	1	0	0	
Biggleswade OPPD Day Centre 12-13	24/10/2013	31/01/2014	2	2	0	0	0	0	
Leighton Buzzard OPPD Day Centre 12-13	24/10/2013	31/01/2014	1	0	1	0	0	0	
<b>Total</b>			<b>8</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	

## Details of Monitoring of High Risk Internal Audit recommendations as at End November 2013 Reports issued during 2013/14

### IMPROVEMENT AND CORPORATE SERVICES

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
SAP Access and Security 2012-13	04/11/2013	30/04/2014	2	1	1	0	0	0	
IT Disaster Recovery 2012-13	10/09/2013	30/06/2014	2	0	1	1	0	0	
<b>Total</b>			<b>4</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	

Appendix D

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

**Corporate Services**

**Contract Management**

<p><b>Recommendation R1:</b> The suite of documents that constitute the Procurement rules and guidance should be fully reviewed, updated and reissued to incorporate the detailed findings of this report.</p>
<p><b>Rationale for Recommendation:</b> The existing guidance relating to procurement and contract management needs to be updated and clarified, and reissued for the use by relevant officers in order to promote better management of contracts across the Council.</p>
<p><b>Target Dates:</b> End September 2012 (revised) End November 2012 (revised) End February 2013 (revised) End July 2013 (revised) End December 2013 (revised) End January 2014</p>
<p><b>Current Position and Explanation for Slippage:</b> The changes to the Procurement Rules bringing them up to date and making them fit for purpose, including new advice and guidance on contract management, were approved by CMT in October 2013 and by the General Purposes Committee in December 2013. The updated Procurement Rules (which mirror changes in the Council's Constitution) will be published in the new year after the full Council meeting in January which is required to ratify the changes to the Council Constitution previously approved by the GP Committee.</p>

## Payroll

**Recommendation R2:**

The following action should be taken:

- The monthly reconciliations statements for the payroll control accounts should be expanded to include an analysis and verification of the balances held.
- The analysis and re-coding of the outstanding transactions on all Payroll Control accounts (7 accounts for CBC and one for BCC) should be completed as soon as possible.
- The balances on the payroll related vendors' accounts should be investigated and cleared as appropriate.
- The summary sheet detailing the completion of each month's reconciliations should be updated.

**Rationale for Recommendation:**

The resolution of these issues would provide assurance on the validity and accuracy of the current balances.

**Target Dates:**

March 2013 (revised)

April 2014

**Current Position and Explanation for Slippage:**

The reconciliations for all payroll control accounts (including vendor accounts) are up to date. The reconciliation statements have been expanded to include analysis and verification of balances. The outstanding payroll legacy balances will be addressed as part of the Council's 2013/14 year end statement of accounts processes.

Appendix E

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

**Social Care, Health & Housing**

**Domiciliary Care Units**

**Recommendation R1:**

1. Procedures should be updated to clarify that any change to amounts paid to clients should be formally authorised.
2. A weekly check should be completed between the total value of the cheques drawn on the Units' bank accounts (to withdraw funds for clients), to the schedules of BACS payments (detailing funds transferred into the accounts by the Appointee-Deputyship Officer). This check should be independent of the staff based at the Units.

**Rationale for Recommendation:**

At one of the Domiciliary Care Units due to poor communication the payments to a client (and hence withdrawn from the bank account) were increased without the Appointee- Deputyship Officer being informed with a subsequent impact on the balance on the client's bank account. The usual internal checks between the BACS payments to clients' account and the value of checks drawn had not operated.

**Target Dates:**

31<sup>st</sup> October 2013 (revised)  
31<sup>st</sup> March 2014

**Current Position and Explanation for Slippage:**

Procedures have been updated. Discussions are on-going to ensure the regular communication of the BACS information between the Customer Finance Team and the Supported Living Service. In the meantime, bank statements are being requested and signed by the signatory prior to withdrawal of funds to ensure that the account does not become overdrawn.

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