

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



please ask for Leslie Manning
direct line 0300 300 5132
date 20 March 2014

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Monday, 31 March 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,
Mrs B Coleman, N B Costin, 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 13 January 2014 (copy attached).

3. **Members' Interests**

To receive from Members any declarations of interest.

4. **Chairman's Announcements and Communications**

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

5. **Petitions**

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

6. **Questions, Statements or Deputations**

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

Reports

Item	Subject	Page Nos.
7	Audit Plan To consider a report by Ernst & Young LLP which sets out how the company intends to carry out its responsibilities as the Council's auditor.	* 15 - 38
8	Audit Progress Report To consider a report from Ernst & Young LLP which provides an update on the progress made by the company in carrying out the Council's 2013-14 audits. The report also includes, as an appendix, a briefing document on issues which might have an impact on the Council, the	* 39 - 54

local government sector and the audits undertaken by Ernst & Young.

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|----|---|-------------|
| 9 | Housing Benefit & Council Tax Support Fraud | * 55 - 84 |
| | To consider a report which provides an update on the work of the Benefit Fraud Investigation Team. | |
| 10 | 2014-15 Audit Plan | * 85 - 98 |
| | To consider a report which presents the 2014-15 Audit Plan for review and approval. | |
| 11 | Internal Audit Progress Report | * 99 - 112 |
| | To consider an update on the progress of work by Internal Audit for 2013/14. | |
| 12 | Risk Update Report | * 113 - 118 |
| | To consider an overview of the Council's risk position as at March 2014. | |
| 13 | Tracking of Audit Recommendations | * 119 - 134 |
| | To consider a summary of high risk recommendations arising from the Internal Audit reports together with the progress made in their implementation. | |
| 14 | Audit Committee - Work Programme for 2014/15 | * 135 - 138 |
| | To consider the Committee's proposed work programme for 2014/15. | |

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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, 13 January 2014

PRESENT

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

Cllrs R D Berry
D Jones

Cllrs D J Lawrence
A Zerny

Apologies for Absence: Cllr N B Costin

Substitutes: Cllr Mrs J G Lawrence (In place of N B Costin)

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/13/71 **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 23 September 2013 be confirmed and signed by the Chairman as a correct record.

A/13/72 **Members' Interests**

None.

A/13/73 **Chairman's Announcements and Communications**

On behalf of Members the Chairman welcomed Councillor D Jones to his first meeting of the Committee.

The Chairman reported the receipt of a letter from Mr West, the Ernst & Young representative on the Committee, requesting information which enabled him to understand how the Audit Committee gained assurance from management on internal control and other governance issues. The meeting noted that a response would be drafted as requested.

A/13/74 **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/13/75 **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/13/76 **Certification of Claims and Returns Annual Report 2012-13**

The Committee considered the annual report from Ernst & Young LLP which summarised the results of the certification work which the company had undertaken on the Council's 2012-13 claims and returns. The Ernst & Young representative introduced the report which covered the following matters:

- summary of 2012-13 certification work (covering the main findings on the housing and council tax benefits subsidy claim, the teachers' superannuation return, the national non-domestic rates return and the pooling of housing capital receipts)
- 2012-13 certification fees
- looking forward (covering future certification fees and changes in certification arrangements)
- summary of recommendations (covering the recommendations arising from the work carried out by Ernst & Young on the 2012-13 claims and returns and the actions agreed).

The Ernst & Young representative drew Members attention to issues of importance and answered any queries which arose.

NOTED

the annual certification report 2012-13.

A/13/77 **Annual Audit Letter 2012/13**

The Committee considered a report from Ernst & Young LLP which presented the 2012/13 Annual Audit Letter for Central Bedfordshire Council. The letter set out the key issues arising from the work undertaken by Ernst & Young as the Council's external auditors.

The Ernst & Young representative stated that there were no significant issues to draw to the Committee's attention.

The Chairman, on behalf the Committee, congratulated the Chief Finance Officer and his staff for their efforts.

RESOLVED

that the 2012/13 Annual Audit Letter be published on the Council's website.

A/13/78 External Audit Update

The Committee was advised by the Ernst & Young representative that the 2013/14 audit had yet to start and there was nothing to report at this stage. The representative reminded the meeting that information on the 2012/13 audit had been contained in his earlier reports (minutes A/13/76 and 77 above refer).

A/13/79 Final Accounts Process 2013/14

The Committee considered a report by the Chief Finance Officer which summarised key changes in the Statement of Accounts for 2013/14 and internal procedures for producing the Statement of Accounts.

The Financial Controller introduced the report; Members noting that under the Accounts and Audit Regulations 2011 the Council's accounts were 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 specified the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice, which was issued annually, as representing the proper accounting practice for that purpose.

The Committee further noted that the 2013/14 Code incorporated updates originally issued as mid year updates to the 2012/13 Code. The two main areas of change related to accounting for the Housing Revenue Account (HRA) under self-financing and changes in accounting for Carbon Reduction Commitments (CRC). There were also a number of minor technical updates to the 2013/14 Code and two changes of note in the current financial year relating to the following:

- post-employment benefits and International Accounting Standard (IAS) 19
- accounting requirements in respect of National Non-Domestic Rates (NNDR) following the move to localisation.

The Financial Controller informed the meeting that the 2013/14 Code incorporated changes made to IAS 19 in 2011; the most notable of these changes being 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. The figures for the 2012/13 year would be restated although the changes would be presentational and there would be no material impact on the financial statements.

The meeting was also advised that National Non Domestic Rates (NNDR) would be accounted for through the Collection Fund in a manner similar to Council Tax. As councils retained a share of the business rate income there would be an annual surplus/deficit on the Collection Fund which would be distributed/recovered in the subsequent year's budget. These changes reflected the new regime applicable from 1 April 2013 and so no restatement of prior year balances would be required.

The meeting noted that, surprisingly, there had been no clarification included within the Code on how schools should be treated within the Council's books. Whilst CIPFA had stated in its exposure draft that only community schools should be included in the Council's balance sheet the Department for Education had raised issues with this. However, no clarification had been issued in the Code and CIPFA had asked councils to continue as before.

The Committee was reminded that, at its meeting on 24 June 2013 (minute A/13/55 refers), a presentation had taken place on the key figures in the accounting statements. All members of the Council had been invited to attend in order to encourage scrutiny and discussion. The use of a presentation rather than a report had also allowed Finance staff significantly more time to focus on quality assurance work in June and minimise the work needed by the Finance team and the external auditors during July to September. In view of the positive feedback following the presentation it was proposed to include a presentation at the June 2014 meeting. The Committee concurred with this proposal.

A Member referred to the discussion at the last meeting (minute A/13/67 refers) regarding the submission of a report on matters of interest on employee pensions arising from meetings of the local Pension Fund Committee. It was noted that the first of regular six monthly reports on this topic was scheduled to go before the General Purposes Committee, as the body which dealt with employee issues, in May but the Member suggested that a copy of the report should also be submitted to the Audit Committee mindful that staff represented the Council's biggest cost. The meeting concurred with this suggestion.

NOTED

the key changes in the Statement of Accounts for 2013/14 and internal procedures for producing the Statement of Accounts.

RESOLVED

- 1a that an interactive presentation on the unaudited accounts for 2013/14 be made to the Audit Committee at its meeting in June 2014;**
- 1b that all members of the Council be invited to attend the above presentation;**
- 2 that a copy of the update report submitted to the General Purposes Committee on developments arising from meetings of the local**

Pension Fund Committee be submitted to the Audit Committee to note.

A/13/80

Public Sector Internal Audit Standards - Overview and Self Assessment

The Committee considered a report by the Chief Finance Officer which provided a summary briefing on the new Public Sector Internal Audit Standards (PSIAS) and advised of the outcome of a self assessment of the Council's current compliance with the Standards.

Members were advised that the PSIAS had been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors (IIA) and had come into force on 1 April 2013. The Standards contained the following:

- A definition of Internal Auditing
- A Code of Ethics
- Standards for the Professional Practice of Internal Auditing

The meeting noted that the PSIAS replaced the Code of Practice for Internal Audit in Local Government in the UK and adoption was mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011. Members further noted that the PSIAS applied to all internal audit service providers whether in-house, shared services or outsourced. The Head of Internal Audit and Risk commented on the value of common standards across the public sector given the growing extent of partnership working.

The meeting noted that CIPFA had recently produced a Local Government Application Note and the Council's Internal Audit Service had been reviewed against this to assess compliance. Arising from the outcome of the review, and the issues identified, a management action plan had been produced aimed at moving the Internal Audit Service to position of full compliance. A copy of the management action plan was attached at Appendix A to the Chief Finance Officer's report.

In response to queries by the Chairman, the Head of Internal Audit and Risk explained that the requirement under the PSIAS for the development of a Quality Assurance and Improvement Programme represented a new task for the Internal Audit Service but that there were, currently, sufficient resources to undertake this work.

RESOLVED

- 1 that the adoption of the Public Sector Internal Audit Standards (PSIAS) be endorsed;**
- 2 that the management action plan produced to ensure full compliance with the PSIAS, as set out at Appendix A to the report of the Chief Finance Officer, be approved and adopted.**

A/13/81

Internal Audit Charter

The Committee considered a report by the Chief Finance Officer which proposed the adoption of an Internal Audit Charter so that the Council would comply with the Public Sector Internal Audit Standards as applied in the UK. The meeting was aware that the Public Sector Internal Audit Standards were based on international standards which had been adopted by the UK on 1 April 2013.

A copy of the draft Charter was attached at Appendix A to the Chief Finance Officer's report.

Members were reminded that the Committee had a key role in ensuring that effective corporate governance arrangements were both in place and maintained. The proposed Internal Audit Charter would provide evidence of such arrangements with regard to the Internal Audit function and fully reflected the recent adoption of the Public Sector Internal Audit Standards.

Members noted that the Charter would replace both the Internal Audit Strategy and the original Internal Audit Charter, both of which had been previously approved by the Committee. The documents had complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 2006 which was the predecessor to the new Public Sector Internal Audit Standards. It was further noted that the original Internal Audit Charter had been renamed as the Internal Audit Engagement Protocol, a title which better described its contents.

The Chairman drew the Committee's attention to paragraph 4.4 of the draft Charter which specifically excluded Internal Audit from investigating benefits fraud and sought clarification. In response the Chief Finance Officer explained that this function was carried out by dedicated officers within the Revenues and Benefits Team and that the Team had enjoyed considerable success in its work. He added that the Government had considered the creation of a national fraud unit but no further action had been taken.

In connection with the gathering of intelligence on benefits fraud a Member commented that the absence of suitable facilities at some of the Council's offices discouraged members of the public from raising concerns. The Committee noted the action already taken to overcome this issue.

Following a query by a Member the Chief Finance Officer explained how cases of benefits fraud were identified by officers. The Chief Finance Officer stressed that simple errors by claimants would not result in prosecution.

Turning next to paragraph 8.2 of the draft Charter the meeting noted the reference to the Audit Committee's agreed work plan for the year. It was felt that the plan, which was currently only submitted to the Committee for approval at the start of the municipal year, would prove of greater benefit if it were submitted, considered and updated at each meeting.

In conclusion, and on behalf of the Committee, the Chairman congratulated the Head of Internal Audit and Risk and her team for their work.

RESOLVED

- 1 that the draft Internal Audit Charter, as attached at Appendix A to the report of the Chief Finance Officer be approved and adopted;
- 2 that a report be submitted to a future meeting of the Committee on benefits fraud and the measures being taken by the Council to combat it;
- 3 that the Audit Committee's work plan be submitted to all future meetings of the Committee with effect from its next meeting on 31 March 2014.

A/13/82

Internal Audit Progress Report

The Committee considered a report by the Chief Finance Officer outlining the progress made against the 2013/14 Internal Audit Plan up to the end of November 2013.

The following matters were considered:

- Managed Audits
- Other Audit Work
- National Fraud Initiative (NFI)
- Fraud and Special Investigations
- Schools
- Performance Management

The Head of Internal Audit and Risk introduced the report and advised the meeting that there were no significant issues to consider. Members then sought clarification on a number of issues including the progress made in reviewing Council procedures relevant to the employment of contractors and consultancy staff which had been approved at the last meeting (minute A/13/66 refers). In response the Head of Internal Audit and Risk stated that the review, which was listed within the Appendix to the report under the section headed 'Assurance Audits – Contracts and Partnerships', was substantially complete and that, whilst some areas of improvement had been identified, no significant issues of concern had been identified to date. She added that a report would be submitted to the Committee once the review was finished and remedial action had been agreed.

A Member sought information on the length of time spent reviewing one particular consultancy company and the Head of Internal Audit and Risk undertook to establish the figure and advise him of her findings. The Member then expressed concern at the time taken to complete the review and its apparent lack of prioritisation. The Head of Internal Audit and Risk explained that the Internal Audit team was also undertaking previously agreed priority

tasks and the review constituted a major area of work. She also stated that time was required to carry out a thorough review.

In response to a further query from the Member the Chief Finance Officer reported on the Chief Assets Officer's priority to reduce the number of agency staff employed by the Council and the accompanying move towards the use of permanent employees. He explained that the particular problems experienced by the Council had required particular skill sets on a temporary basis and the use of consultancy employees was the logical response to that situation.

Following a question as to whether the use of consultants had always been suitable for the level and type of work undertaken the Head of Internal Audit and Risk stated that the review would examine the Council's procedures and whether the decision to use consultants had complied with these. The Chief Finance Officer added that the resulting report to the Committee would contain recommendations regarding the amendment of operational management if this was felt necessary.

NOTED

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

A/13/83

Risk Update Report

The Committee considered a report by the Chief Finance Officer which provided an overview of the Council's risk position as at November 2013. The Head of Internal Audit and Risk introduced the report and highlighted the changes arising from the recent fundamental refresh of the Strategic Risk Register on the Risk Summary Dashboard. The meeting noted that the refresh had taken place following both consultation with the Risk Matters Group and the Directorate Risk Co-ordinators and attendance at a Risk Workshop facilitated by Zurich, the Council's principal insurers.

A Member referred to Strategic Risk STR0019 on the Strategic Risk Register Matrix regarding the failure to deliver effective and cohesive Health and Social Care to local residents and expressed the opinion that its medium rated likelihood of occurring was too low a score. He provided an example where this risk had already occurred. Following further discussion the Head of Internal Audit and Risk undertook to consider amending the position of the Strategic Risk on the Risk Register Matrix when the risk scores were next revised.

NOTED

the strategic and operational risks facing Central Bedfordshire Council as set out in the Risk Summary Dashboard attached at Appendix A to the report of the Chief Finance Officer.

A/13/84

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 the progress made in implementing them.

NOTED

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

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.46 a.m..)

Chairman

Dated

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Meeting: **Audit Committee**
Date: **31 March 2014**
Subject: **Audit Plan**
Report of: **Ernst & Young LLP**
Summary: The attached report sets out how Ernst & Young LLP intends to carry out its responsibilities as the Council's auditor.

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

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Audit Plan

Year end 31 March 2014

Central Bedfordshire Council

5 March 2014



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

5 March 2014

Dear Member

Audit Plan

We are pleased to attach our audit plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2014 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

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

We welcome the opportunity to discuss this report with you on 31 March 2014 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Mick West
Director
For and behalf of Ernst & Young LLP
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1. Overview

Context for the audit

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

- ▶ Our audit opinion on whether the financial statements give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended
- ▶ A conclusion on arrangements to secure economy, efficiency and effectiveness – the value for money conclusion

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

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

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

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

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

In section 2 and 3 of this report we provide more detail on our assessment of the risks that we reach the wrong opinion or value for money conclusion. In section 4 we provide detail of the certification work. Our audit process and strategy are set out in more detail in section 5, and summarised below.

As part of our planning we identified:

- ▶ Management override as a significant risk based on the requirements of auditing standards
- ▶ The new arrangements for business rates as an area for audit attention in our financial statement work
- ▶ The continued financial pressures that the Council faces and how it manages its Medium Term Financial Plan as an area we will review as part of our value for money conclusion work
- ▶ Reviewing in our value for money conclusion work progress in improving the performance in processing council and housing benefits changes in circumstances and reducing the number of errors in benefit assessments

Financial statements audit

We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the level of gross expenditure. We also consider the size of useable reserves, the Council's financial position, its public profile and the reporting and challenge history. Our audit is designed to identify errors above materiality.

We aim to rely on the internal controls in key financial systems to the fullest extent allowed by auditing standards. We identify the controls we consider important and seek to place reliance on internal audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.

We seek to place reliance on the work of internal audit wherever possible. We have already liaised with internal audit and have commenced our review and re-performance of its work.

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

Value for money conclusion

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

Certification work

There is no longer a requirement to certify business rates returns or the council tax benefits subsidy claims under Audit Commission certification arrangements.

2. Financial statement risks

We outline below our assessment of the financial statement risks facing the Council, identified through our knowledge of the entity's operations and discussion with members and officers. A significant risk is an identified assessed risk of material misstatement that, in an auditor's judgement, requires special audit consideration.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our approach will focus on: Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements Reviewing accounting estimates for evidence of management bias Evaluating the business rationale for significant unusual transactions
Other financial statement risks	Our audit approach
Localisation of National Non-Domestic Rates	
There have been changes in how the Council must account for business rates from 2013-14 following the localisation of the scheme. Councils must now account for provision for appeals. In addition there are new calculations and presentation of entries including tariffs/ top-ups.	Our approach will focus on: Review of the controls and staff preparation Review and testing of the calculation of provisions and revised disclosures

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud
- ▶ Determining an appropriate strategy to address those identified risks of fraud
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks

We will consider the results of the National Fraud Initiative and may make reference to it in our reporting.

3. Economy, efficiency and effectiveness

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

- ▶ For securing financial resilience
- ▶ To secure economy, efficiency and effectiveness in the use of resources

Our initial work includes:

- ▶ Discussions with officers
- ▶ Discussions with internal audit
- ▶ Reviewing reports and minutes
- ▶ Reviewing the risk register
- ▶ Our financial statements audit planning
- ▶ Attending the Audit Committee

At the date of this report we have identified no significant risks. These are risks that would require specific risk-based work to ensure we can issue a safe value for money conclusion. However, we have identified the following key areas that we will consider to support our value for money conclusion.

Other risks	Impacts arrangements for securing:	Our audit approach
Managing Finances		
<p>The current financial pressure on local authorities and the impact and necessity for continuous focus on financial resilience and use of resources represents a significant challenge over the medium term. In addition changes to the arrangements for funding council tax support and the business rate retention scheme, along with the transfer of responsibility for public health, bring added uncertainty to the medium term financial strategy</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>Our approach will focus on: Reviewing the Council's Medium Term Financial Plan</p>

Delivering services

Given the pressure on the Council's finances the delivery of value for money through its expenditure becomes ever more important.

The Audit Commission's value for money profiles, based on 2012-13 data, place Central Bedfordshire in the highest 10% of its statistical nearest neighbours for the average number of days taken to process housing and council tax benefits changes of circumstance

The audit of the housing and council tax benefit claims in previous years has continued to identify a number of cases where benefits have been assessed incorrectly. We are aware that the Council has provided training and put in place quality assurance processes to address these issues and that there have been improvements in the processing times for new claims.

Economy, efficiency and effectiveness

Our approach will focus on reviewing:

Current performance in processing changes in circumstances

Arrangements in place to reduce the number of errors in benefit assessments

4. Certification work

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

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

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

We are planning to carry out certification work for the:

- ▶ Housing benefit scheme – based on previous experience we expect to carry out extended testing, known as 40+ testing, on up to thirteen areas of the claim (this estimate excludes the 40+ testing carried out in council tax cells in previous years).
- ▶ Teachers' Pensions return – based on previous experience we expect to carry out extended testing on this return to ensure that issues reported in the 2012-13 qualification letter have been addressed.

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

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

The Audit Commission has set a composite indicative fee for certification work for each body. The indicative fee is based on actual certification fees for 2011-12 adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating a 40 per cent reduction.

The indicative fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

5. Our audit process and strategy

Objective and scope of our audit

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

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

We issue a two-part audit report covering both of these objectives.

Financial statements audit

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

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

Arrangements for securing economy, efficiency and effectiveness

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

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

Audit process overview

Our audit involves:

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

Processes

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

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

We will carry out substantive testing treasury management and fixed assets as we consider this to be the most efficient testing approach for these processes. Last year we also carried out substantive testing on the payroll and SWIFT (social care payments) systems as Internal Audit (IA) had issued limited assurance opinions on both systems. For 2013-14, IA work to date on payroll indicates that the system will receive an adequate opinion this year. IA work on the SWIFT system is still in progress. Given the history of limited opinions for both of these systems we will carry out substantive testing again in 2013-14 and consider controls testing for the 2014-15 audit.

Analytics

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

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

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

Internal audit

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

We will seek to place reliance on the work of internal audit wherever possible in line with auditing standards.

Use of experts

We will utilise specialist EY resource, as necessary, to help us to form a view on judgments made in the financial statements. Our plan currently includes the involvement of specialists in pensions to assess the work undertaken by the actuary to the scheme.

Other procedures

We perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline as follows the procedures we will undertake during the course of our audit.

Mandatory procedures required by auditing standards on:

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

Procedures required by the Code

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

Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We have determined that overall materiality for the financial statements is £9.8m based on 2% of gross service expenditure.

We will communicate uncorrected audit misstatements greater than £0.5m to you.

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

Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit is £184,885 together with an estimated fee of £52,100 for the certification of claims and returns.

Your audit team

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

Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts; and the deliverables we have agreed to provide to you through the Audit Committee cycle in 2014. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will report to the Audit Committee throughout our audit process as outlined below. Where required, we will issue an interim report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Committee and we will discuss them with the Committee Chairman as appropriate.

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

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning:	January 2014		Audit fee letter
Risk assessment and setting of scopes	January – March	March	Audit plan
Testing of routine processes and controls	March/April	June	Progress report (If required)
Value for money conclusion	February – June	June	Progress report (If required)
Year-end audit including WGA	July – September		
Reporting		September	Report to those charged with governance Auditor's report (including our opinion on the financial statements and value for money conclusion) Audit completion certificate
Reporting	November	January 2015	Annual audit letter*
Grant claims	January 2015	January 2015	Certification of claims and returns annual report 2013-14

* The Annual Audit Letter is issued prior to 30 November. As the Audit Committee does not meet until January 2015, we will endeavour to bring this to the September meeting, or send the letter to the section 151 officer to forward to Committee members ahead of the January 2015 Committee meeting.

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

6. Independence

Introduction

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

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

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

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

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

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

Self-interest threats

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

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

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

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

Self-review threats

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

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

Management threats

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

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

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

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

Overall Assessment

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

Other required communications

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 28 June 2013 and can be found here:

[UK 2013 Transparency Report](#)

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2013-14	Actual Fee 2012-13
Total audit fee – Code work	£184,885	£184,885
Certification of claims and returns	£52,100	£45,350£
Non-audit work	Nil	Nil

*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

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

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

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

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

The 2013-14 certification work fee is based on the actual 2011-12 certification fee for claims and returns that continue to be certified under the Audit Commission arrangements reduced by the Commission's general 40% fee reduction. The 2012-13 indicative fee was based on 2010-11 fees for continuing claims and returns less the 40% reduction. The increase in fee is mainly due to:

- ▶ An increase in the level of benefits work reflected in the 2013-14 indicative fee (about £9,000)
- ▶ A reduction for the non-domestic business rates return no longer certified (about £2,000)

The amount of work on benefits changes from year to year and the fee does not yet reflect any reduction for council tax benefits dropping out of the benefits subsidy claim.

Appendix B UK required communications with those charged with governance

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

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	Audit plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the auditor's report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Report to those charged with governance
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Report to those charged with governance
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Report to those charged with governance
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Report to those charged with governance
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Report to those charged with governance
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non- 	Report to those charged with

Required communication	Reference
<p>compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</p> <ul style="list-style-type: none"> ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	governance
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EYs objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit plan</p> <p>Report to those charged with governance</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Report to those charged with governance</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Report to those charged with governance</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual report to those charged with governance summarising grant certification</p> <p>Annual audit letter if considered necessary</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit plan</p> <p>Report to those charged with governance and Annual audit letter if considered necessary</p>

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Meeting: **Audit Committee**

Date: **31 March 2014**

Subject: **Audit Progress Report**

Report of: **Ernst & Young LLP**

Summary: The attached report provides an update on the progress made by Ernst & Young LLP in carrying out the Council's 2013-14 audit. The report also includes, as an appendix, a briefing document on issues which might have an impact on the Council, the local government sector and the audits undertaken by Ernst & Young.

Contact: Mick West, Director - Ernst & Young LLP

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

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Central Bedfordshire Council

Year ending 31 March 2014

Audit Progress Report

March 2014



Mike Blair
Chairman Audit Committee
Central Bedfordshire Council
Priory House
Monks Walk
Shefford
Bedfordshire SG17 5TQ

4th March 2014

Dear Mike

Audit progress report - 2013-14

We are pleased to attach our audit progress report.

The purpose of this report is to provide the Audit Committee with an overview of the stage we have reached in carrying out your 2013-14 audit. Our report sets out the work we have undertaken since our last progress report to you in June 2014.

This report also includes, at Appendix 2, a sector briefing which covers issues which may have an impact on your Council, the local government sector and the audits that we undertake. This briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

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

Yours sincerely



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

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Work completed

2013-14 Audit Plan

The Audit Plan for 2013-14 is included in the agenda for this meeting of the Audit Committee. The plan sets out the financial statements and value for money conclusion risks that we had identified and our proposed response to those risks. The only significant risk that we have identified is the risk of "management override". This is the risk that management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. This is considered to be a significant risk at all of our audits and is not specific to Central Bedfordshire Council.

Completion of walkthroughs and tests of control

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

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

Financial statements

The detailed work on the financial statements will take place from July to September 2014. We will report our findings in our Annual Results Report to the 22 September Audit Committee.

Value for money conclusion assessment

We have completed our initial risk assessment for our value for money conclusion work against the Audit Commission's specified criteria and areas of focus. As set out in the Audit Plan for 2013-14 we have not identified any significant risks that we need to undertake additional local risk based work to address.

Grant claim certification

The results of our work on Central Bedfordshire Council's 2012-13 claims and returns were reported to the January 2014 meeting of this Committee.

We have not yet started certification work for 2013-14 claims and returns, apart from our early planning work in respect of the housing and benefits subsidy claim. At the time of drafting this report the DWP (Department of Works and Pensions) have not raised any queries with your officers, or asked for additional work to be carried out, in respect of our qualification letter on the 2012-13 housing and council tax benefits claim.

2014-15 audit Fee

At the time of drafting this report the Audit Commission had yet to publish the final work programme and fees for 2014-15. They expect to do this in March 2014. The Audit Commission has set scales of fees as part of its five year procurement exercise and has indicated scale fees are not liable to increase in that period unless there is a change in scope. The 2014-15 fee letter will be issued to officers before the end of April 2014 and will be included in the agenda for the next meeting of the Audit Committee.

Timetable

Audit Committee timeline

The deliverables we have agreed to provide to you through the 2013-14 Audit Committee cycle are set out at Appendix 1.

Appendix 1: Audit Progress on Deliverables

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee letter	June 2013	Completed	June 2013
Audit plan	March - April 2014	Completed	March 2014
Report to those charged with governance	September 2014		
Auditor's report (including opinion and value for money conclusion)	September 2014		
Audit completion certificate	September 2014		
Auditor's report on WGA return	September 2014		
Annual audit letter	October 2014		
Annual report on certification of claims and returns	December 2014		

Local Government Audit Committee briefing

Contents at a glance

Sector and economic news

Accounting, auditing and governance

Regulation news

Find out more

Introduction

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Building a better
working world



Sector and economic news

Economic Outlook

The ITEM Club, one of the UK's foremost independent economic forecasting groups, sponsored by EY, published its Winter Forecast in January 2014. It recognises that the UK's economic rebound is continuing to exceed expectations with GDP now projected to grow by 2.7% in 2014 followed by 2.4% in 2015.

Although this headline news is positive, the reality is more complex. The current recovery is lopsided in two ways. The first is that it's being driven almost exclusively by consumer spending and housing. Until rising business confidence is matched by a revival in investment and exports, the upturn will be neither balanced nor sustainable.

The second imbalance is that, despite rising employment, real wages are continuing to fall. This gap reflects a number of structural shifts in the workforce, and should close by the start of 2015. But its effect is that consumer spending cannot continue to drive the recovery without triggering a new and unwelcome rebound in household debt.

EY ITEM Club notes: 'this situation poses a dilemma for the Bank of England's Monetary Policy Committee as it gauges when to raise interest rates.'

With employment rising but real wages falling, the unemployment rate alone is too blunt a measure. Instead, the MPC must hold interest rates steady until real wages and business investment are rising. Otherwise it risks aborting the recovery before it reaches escape velocity.'

Enhancements to Bellwin Grant

The government is changing the terms of the Bellwin scheme to help local authorities meet costs associated with the recent severe weather. The changes will ensure the grant is paid at 100% above the threshold instead of 85%, extend the eligible spending period to the end of March 2014, reduce the thresholds for county councils and unitary authorities, and allow upper tier authorities with fire responsibilities to claim on the same basis as standalone fire authorities for fire related costs.

The Bellwin scheme was activated in December 2013. Ministers have also committed to a longer term review of the Bellwin scheme to consider changes to its operation which may be required due to more frequent and challenging weather events.



Sector and economic news

Making best use of the Better Care Fund

Announced by the government in the June 2013 spending round, the £3.8bn Integration Transformation Fund now known as the Better Care Fund is described as 'a single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and Local Authorities'. The Fund, available from April 2015, offers an opportunity to bring resources together to address immediate pressures on services and lay foundations for a much more integrated system of health and care. The intention is that social care and health care be fully integrated by 2018.

For Local Authorities, this will require the contribution of the Social Care Capital grant and Disabled Facilities Grant allocations for 2015/16 to the pooled budget.

Health and Wellbeing Board areas were required to submit a draft plan for their use of this fund by 14th February, and the revised plan by 4th April 2014. The King's Fund has published 'Making best use of the Better Care Fund – Spending to Save?' which 'offers an evidence-based guide to aid the discussions between clinical commissioning groups, Local Authorities and health and wellbeing boards' and presents evidence from The King's Fund and others in a number of different areas including primary prevention, selfcare, and case management.

Accounting, auditing and governance

Greater Business Challenges call for Stronger Audit Committees

Audit committees have traditionally comprised of people with deep finance and accounting expertise, a reflection of the committee's statutory financial control and reporting oversight duties. But, in recent years, the business environment has become more complex and its role has expanded, leading many boards and audit committees to rethink the skills they need.

The audit committee's remit now includes overseeing risk management, compliance and a series of emerging business risks in areas such as bribery, corruption and cybersecurity.

This increased responsibility includes a call by some regulators for 'stronger audit committees' to oversee the regulatory and business risks that organisations face.

Participants surveyed for the EY report, Greater business challenges call for stronger audit committees, identified diversity of culture, roles and experience as the most important elements of an effective audit committee.

Critical skills include:

- ▶ Financial expertise: the committee needs a keen understanding of internal controls and experience in disclosure to its key stakeholders.
- ▶ Accounting and auditing expertise: one of the most critical audit committee responsibilities is overseeing the internal and external auditors. The committee needs at least one member who has experience working with both functions, and someone who understands accounting rules and how to apply them.
- ▶ Leadership: the committee should include someone who has hands-on experience of leading in an operational role within an organisation. In particular, audit committees would benefit from people who have been CEOs and CFOs.
- ▶ Industry or sector knowledge: it's important to have members with sector-specific knowledge – including an understanding of the regulatory environment.

Regulation news

Business rates valuation: a consultation

Since 1 April 2013, local government has had a 50% share in business rates income, meaning that local authorities now carry a 50% share of the risk of reductions and refunds from challenges against rateable value. This means that local authorities have to forecast the impact of successful challenges on their future income, a task made difficult by the large number of speculative challenges. The government has launched a consultation, which lasted for 12 weeks until 3 March 2014, on proposals aimed at reforming the appeals process. The objectives of the proposals under consultation are to:

- ▶ Improve transparency of the valuation process
- ▶ Bring business rates into line with the way official decisions are normally challenged
- ▶ Enshrine in law a more formal separation between the Valuation Office Agency (a government taxation setting body) and the Valuation Tribunal for England (the judicial body which reviews decisions made by the VOA)

The government intends to implement these proposals from 1 October 2014.

Technical Reforms to Council Tax: national discount for annexes

Between August and October 2013, the government ran a consultation on the proposed introduction of a discount on the council tax for annexes, where such annexes are occupied by a member of the family of an occupier of the main dwelling. The responses to this consultation were published in December 2013, and the government is planning to implement its proposals. The majority of respondents supported the government's proposed discount of 50%. However, over half of respondents considered that the implementation of this policy would lead to extra costs, mainly in the areas of promotion, IT and administration. The government does not consider that the administration of the new discount will constitute a new burden, as under Regulation 14 of the Council Tax (Administration and Enforcement) Regulations 1992, billing authorities already have a statutory duty to ascertain whether a property is entitled to a discount. However, the overall cost of the discount will be reimbursed to billing authorities by DCLG.



Regulation news

Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014, which provides for the abolition of the Audit Commission and repeals the Audit Commission Act 1998, received Royal Assent on 30 January 2014. This Act makes provision for the Audit Commission to officially be wound down in 2015. The effective closure date will be 31 March 2015 and will bring to an end the Commission's 30 year involvement with public sector audit.

A transitional body will manage the current round of supplier contracts when they end in 2016/17 or, if extended, 2018/19. Subsequently, the new framework for public audit will replace the Audit Commission. When the existing contracts have run their course, local bodies will be able to appoint their own auditors, although local audit appointments will be overseen by an Independent Auditor Panel, and collective audit procurement will be enabled. Quality will be overseen by the Financial Reporting Council, as for Companies House audits.

The Audit Commission has identified where some of its key functions will be transferred to. These include:

- ▶ The National Fraud Initiative will transfer to the Cabinet Office on 1 April 2015.
- ▶ The National Audit Office will take on the statutory responsibility to produce and maintain the Code of Audit Practice and issue guidance to auditors.

The Commission is still in talks with several government departments to determine where other key areas which it is responsible for such as Value for Money and Counter Fraud will be transferred to.

Find out more

Economic Outlook

See the full analysis at:

<http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Enhancements to Bellwin Grant

Read more at:

<https://www.gov.uk/government/news/more-support-for-communities-affected-by-floods>

Making best use of the Better Care Fund

Find out more at:

<http://www.local.gov.uk/documents/10180/12193/Developing+plans+for+better+care+fund+guidance.pdf/734c155e-7820-4761-976a-6c56053c0e78>

<http://www.kingsfund.org.uk/publications/making-best-use-better-care-fund>

Audit Committee Challenges

Read the latest briefing at:

[http://www.ey.com/Publication/vwLUAssets/EY-Audit-Committee-Bulletin-Issue-5-October-2013/\\$FILE/EY-Audit-Committee-Bulletin-Issue-5-October-2013.pdf](http://www.ey.com/Publication/vwLUAssets/EY-Audit-Committee-Bulletin-Issue-5-October-2013/$FILE/EY-Audit-Committee-Bulletin-Issue-5-October-2013.pdf)

Consultation on checking and challenging your rateable value

Find out more at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263015/Checking_and_Challenging_your_Rateable_Value.pdf

Technical Reforms to Council Tax: national discount for annexes

Find out more at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263411/131115-_Annex_A-_Draft_summary_of_responses_on_annexes_consultation-_pr.pdf

Local Audit and Accountability Act 2014

Find out more at:

<http://www.audit-commission.gov.uk/2014/01/finish-line-in-sight-for-audit-commission/>

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Meeting: Audit Committee
Date: 31 March 2014
Subject: Housing Benefit & Council Tax Support Fraud
Report of: Charles Warboys, Chief Finance Officer
Summary: This report provides the Committee with an update on the work of the Benefit Fraud Investigation Team.

Advising Officer: Charles Warboys, Chief Finance Officer
Contact Officer: Gary Muskett, Head of Revenues & Benefits
Public/Exempt: Public
Wards Affected: All
Function of: Not applicable

CORPORATE IMPLICATIONS

Council Priorities:

Financial:

1. The costs of the Benefits Fraud Investigation Team (BFIT) are met from the DWP Administration Grant (currently £2,280,000) and this is likely to reduce as Universal Credit claims increase, Housing Benefit is phased out and the Council Tax Benefit scheme is withdrawn. At some point in the future a further decision may be taken which might include the permanent transfer of LA fraud staff to the Single Fraud Investigation Service (SFIS) within the DWP and this may bring more reductions in grant payments.

Legal:

2. No implications arising from this report

Risk Management:

3. There is a risk that current levels of staffing will not be able to be maintained due to the funding reductions referred to above, and there is a risk that without sufficient resources being available to detect and investigate suspected fraud, the Council will not have assurance that it is fully meeting its statutory responsibility to protect the public purse.

Staffing (including Trades Unions):

4. No implications arising from this report

Equalities/Human Rights:

5. No implications arising from this report

Public Health:

6. No implications arising from this report

Community Safety:

7. No implications arising from this report

Sustainability:

8. No implications arising from this report

Procurement:

9. No implications arising from this report

RECOMMENDATIONS:

The Committee is asked to:

1. **Consider and comment on the implications of the issues raised in this report for both the Council and individual claimants.**
2. **Affirm their support for the counter fraud work being conducted by the Benefit Fraud Investigations Team.**

Background

10. The current Benefit Fraud Investigations Team (BFIT) was established in 2009 with the inception of Central Bedfordshire Council and is the combination of the previous two legacy District Council BFIT's. The team of 6 full time staff is a dedicated unit within the Revenues and Benefits service, established to investigate, sanction and prosecute benefit fraud. The Team's most valuable asset is its staff with in excess of 120 years criminal investigative experience existing within the team. All staff on the team are fully trained Counter Fraud Officers, holding their Professionalism in Security accreditation from Portsmouth University. Investigators have attended Advanced Investigative Interviewing training to build on and improve their current skills.
11. As criminal investigation experts they operate within a strictly regulated framework to the highest standards of performance and integrity, adhering to a range of complex legislation and operating in accordance with the relevant codes of practice.
12. Through the successful prosecution of fraud cases, the Council has assurance that fraud is being investigated correctly, that evidence gathered is admissible and has been fairly obtained ensuring any legal proceedings are not adversely affected or the Council's reputation damaged in any way.
13. In the last 5 years BFIT have received nearly 2,000 allegations of benefit fraud, have conducted 1,600 criminal investigations, successfully secured 105 prosecutions for benefit fraud and sanctioned a further 178 benefit fraudsters.

14. Each case of fraud is reviewed on its own merits before a decision is made if it is suitable for a prosecution. We will always seek to prosecute where we believe there are aggravating factors about a case, which make prosecution appropriate.
15. We will always seek to prosecute if a claimant has already been prosecuted, received a Simple Caution or Administrative Penalty for similar offences or the offer to accept an Administrative Penalty or Simple Caution has been declined.
16. We must however, upon deciding whether to take prosecution action, also consider all the circumstances surrounding the case, with particular emphasis on the following;
 - Whether there is sufficient evidence for a realistic prospect of a conviction
 - Any failure in the investigation or benefit administration, including delay
 - Whether a prosecution is in the public interest.
17. Public interest factors which are considered include the amount of the overpayment and the duration of the offence, any abuse of position or privilege, any previous incidence of fraud, whether there are grounds for believing that the offence is likely to be continued or repeated, based on any history of recurring conduct or whether the claimant is elderly or suffering from significant mental or physical ill health. We do not prosecute where we believe a genuine error has been made by the claimant.
18. In addition to prosecuting claimants in the Courts the BFIT also has the option to issue a Simple Caution or Administrative Penalty, details of which are explained below

Simple Cautions

19. A Simple Caution is an administrative sanction that the Council is able to offer as an alternative to prosecution, provided that specific criteria are met, as detailed below and the case is one where the Council has sufficient evidence to take prosecution action if the caution was refused.
20. Simple Cautions are usually aimed at the less serious benefit frauds and those where the overpayment is below economic viability for prosecution. This viability is set at overpayments of less than £2,000 as per the DWP guidance. It can be used where the deterrent effect is considered a sufficient and suitable alternative to prosecution or an Administrative Penalty.
21. The customer must make a clear and reliable admission of the offence verbally or in writing and there must be a realistic prospect of conviction if the customer were to be prosecuted. If the customer is subsequently prosecuted for another benefit offence the caution may be cited in court.

Administrative Penalties

22. An Administrative Penalty is the offer to the customer to agree to pay a financial penalty where the customer has caused benefit to be overpaid to them, by either a deliberate act or omission. The amount of the penalty is stipulated at 30% of the amount of the overpayment.
23. An Administrative Penalty is offered where the case is deemed to be not so serious and the offer of it is considered a suitable alternative to prosecution and the overpayment is below economic viability for prosecution. This viability is set at overpayments of less than £2,000 as per the DWP guidance. Unlike Simple Cautions no admission of guilt is required from the customer before offering an Administrative Penalty, although there must be grounds for instituting criminal proceedings for an offence relating to the overpayment, should the Administrative Penalty be refused.

Central Bedfordshire Council Fraud Policies

24. On 28 September 2010 the Council's Executive approved the Central Bedfordshire Council Housing and Council Tax Benefit Anti Fraud Strategy and Policy and the Housing and Council Tax Benefit and Sanctions Policy. These Policies are attached at Appendices C and D for information.

Performance Information

25. BFIT's work comes from a variety of sources including referrals from the Council's Revenues and Benefit service, other internal departments, the Benefit Fraud Hotline available to the public, anonymous allegations, data matching initiatives and a programme of proactive work as well as referrals from external agencies.
26. The Council is a member of the Housing Benefit Matching Service (HBMS), which cross checks our benefit claims against data held by other government agencies. Its aim is to show duplicate claims and any source of undeclared income. The Council is also a member of the National Fraud Initiative (NFI) administered by the Audit Commission, which allows comparison of housing benefit data against many other data sources such as pensions and payroll data.
27. Analysis shows that the largest number of referrals comes from data matching and referrals from our own Revenues and Benefits staff during the course of their duties. Most referrals concern allegations of undeclared earnings/income.

28. During 2012-13 the team investigated 345 cases and 76 individuals have been prosecuted or sanctioned as a result of benefit fraud, see Appendix A:
- 35 individuals prosecuted for benefit fraud
 - 7 individuals received local authority cautions
 - 34 individuals received an administrative penalty (which represents a fine).

During 2013-14 the team have investigated 230 cases and 33 individuals have been prosecuted or sanctioned as a result of benefit fraud, see Appendix B:

- 27 individuals prosecuted for benefit fraud
 - 1 individuals received local authority cautions
 - 5 individuals received an administrative penalty.
29. The number of prosecutions, sanctions and administrative penalties may appear relatively low compared to the number of fraud referrals received by the team, however each case will only progress to some form of sanction if we are satisfied that after thorough investigation the Council has a water tight case to prove fraud has been committed.
30. During the investigations, which are becoming progressively more complex, we may find that there is insufficient evidence to prove the fraud or the right standard of evidence. It does also become apparent during some investigations that the suspected fraud is actually borderline error, in that the claimant has made an error on their benefit application. This can be due to learning difficulties or a genuine misunderstanding for example. Alternatively fraud maybe proven but it may not be in the public interest to pursue the matter.
31. The number of referrals has reduced between 2012-13 and 2013-14 due to administrative difficulties at the DWP Housing Benefit Matching Service. There has also been a reduction in the number of claimants sanctioned due to the more complex nature of the frauds being perpetrated, particularly regarding fictitious tenancies, which are very time consuming to investigate. We are also investigating an increasing number of Council Tax frauds relating to falsely claimed discounts.
32. Sentences and penalties have varied but in summary over the last financial year punishments have included: 1 individual being sent to prison for benefit fraud (2 individuals have been sent to prison so far this financial year); 5 receiving suspended sentences narrowly avoiding imprisonment; 8 receiving Curfew Orders severely restricting their movements; and 12 individuals having to do over 1900 hours of work in the community, serving the people of Central Bedfordshire for their benefit offences, as well as the imposition of various fines. The Council was awarded costs on 32 of the 35 cases prosecuted for Benefit fraud.
33. During 2012-13 the Team have identified £491,000 of Housing Benefit/Council Tax Benefit being incorrectly claimed. The DWP will pay an additional 40% subsidy payment on over paid Housing Benefit which would amount to £196,000 at the 2012-13 figure in addition to the original over paid amount; so if successfully collected the Council have an opportunity of additional revenue.

34. This financial year the team have started to investigate Council Tax Fraud and Housing Fraud. An example of Council Tax fraud is where a Single Person Discount (SPD) is claimed and the claimant has a partner or an owner states falsely that they have a tenant to avoid payment. The SPD frauds can amount to over £400 each p.a.
35. Prosecutions have already been secured and a short case study of Housing Fraud can be found at point 48 below.
36. In summary, the Team continue to provide a cost effective benefit fraud service to the Council which continues to ensure the Council has a robust approach to the identification and prosecution of benefit fraud offenders.

Single Fraud Investigations Service (SFIS)

37. DWP arrangements are on-going for the planned implementation of SFIS. This will see the investigative capability of the DWP, BFIT and Her Majesty's Revenue and Customs (HMRC) being brought together into one organisation responsible for investigating all social security benefit fraud. There is a recommendation that SFIS is led by the DWP and will be implemented during 2014 – 16.
38. SFIS will provide a single service investigating and prosecuting the totality of the benefit offence and this will be done under one set of policies and procedures bringing together staff from DWP, LA s and HMRC. It is proposed that at some point LA BFIT staff will become SFIS employees and are likely to be transferred to the DWP but no time frame for these changes is yet known.
39. Pilots are currently underway to test ways of working and between now and March 2015 SFIS design, including IT solutions will be rolled out across all Local Authorities, DWP and HMRC who have not, up until then been part of the Pilot / pathfinder activity.
40. The DWP announced an implementation timeline for the delivery of SFIS on 3 March 2014, the details of which are as follows:
 - Phase 1 - Implementation to commence with a small number of sites in summer 2014
 - A break to evaluate and learn lessons from the transfer process prior to full national implementation.
 - Phase 2 - Implementation to re-commence in October 2014 and run for a further 18 months to March 2016. Detailed conversations with these sites are due to commence in May 2014.
41. To support the main phase of implementation from October 2014 to March 2016, each LA will be allocated to a month in the national implementation schedule. The DWP will issue a copy of the schedule shortly.
42. The potential transfer of staff to the DWP SFIS, could result in the loss of the specialist BFIT resource and the criminal investigative skills and specialist training from the Council.

43. It is also anticipated that the grant funding received by the Council for this work will cease following the transfer of the function to SFIS.

Case Studies

44. Below are examples of some of the recent cases that the Team have investigated and prosecuted. Every effort will always be made to maximise the recovery of any losses to Central Bedfordshire Council by:-

- Asking for realistic court costs
- Instituting recovery proceeding under Proceeds of Crime legislation where the defendant has realisable assets (i.e. property, capital) and is in a position to settle a debt promptly.

45. **£25,147 fake tenancy fraud**

Mr R made a claim for Housing Benefit and Council Tax Benefit, declaring his landlord as a property company. Following an investigation which started due to discrepancies with the claim we established the company did not exist and the property was in fact owned by his father. We obtained bank statements from the date he moved into the property and claimed benefit (Aug 2008) and these statements showed Mr R using all of the Housing Benefit on day to day expenses and no rent being paid. Mr R pleaded guilty in court, and he has to repay £25,147.16 benefit. He was fined £850 and had to pay £350 towards prosecution costs.

46. **£18,393 fraud - failed to declare villa in Spain**

Mrs AB made a claim to Housing Benefit and Council Tax Benefit and did not declare she was the owner of any land or property here or abroad. Following an anonymous tip off we established she was the owner of a villa in Spain. Customer denied any wrong doing and following the interview under caution she provided a fake valuation which stated the property was worth less than the upper capital limit for benefit (£16,000) and she also pretended to put the villa on the market for 19,500 euro however the estate agents in Spain confirmed she declined to sell the property at this amount. We obtained our own valuation which showed the property was worth £195,000.00. Mrs AB was sentenced to 4 months in prison.

47. **£2,185 fraud – Parish Councillor failed to declare 2 private pensions and 2 periods of work**

Mr S made a claim to Housing Benefit and Council Tax Benefit and failed to declare 2 private pensions. During the period of his claim he also failed to declare two periods of employment. Customer was sentenced to a 6 month curfew and ordered to pay costs of £1,000.

48. Housing Fraud – saving to the Council in excess of £10,000

Miss M applied to Central Bedfordshire Council's Housing Department as homeless. She made two applications, a Homeless application and a Housing Register Application. Following information provided by a member of the public we established that she in fact jointly owned a property. Miss M provided two false statements by failing to declare she jointly owned a property and gave a false address history to conceal the property she owned. As she made false statements Miss M has been struck off the Housing register for two years. She was also prosecuted for making these false statements. She pleaded guilty and was fined £200 and costs of £200. The saving to the Council when a property is returned or not incorrectly allocated has been valued as in excess of £10,000 as well as this now resource being available for a vulnerable family.

49. £37,000 fraud – Undeclared partner (living together)

Miss H made a claim to Housing Benefit, Council Tax Benefit and Income Support on the basis that she was a single parent. Miss H failed to declare her partner had returned to live with her. Miss H assisted her partner running his business from her home. The overpayment of £37,000 is the total Housing Benefit, Council Tax Benefit and Income Support overpayment. Miss H was sentenced to 18 weeks in prison.

50. £4,367 Council Tax fraud

Mr O declared he had made £4,367 payments of Council Tax. When these payments could not be traced by our Recovery Team he provided a letter from his bank confirming the payments were made by a £1,910 card payment and a total of £2,456 payments made by direct debit. Following an investigation we confirmed this letter was fake and no payments had been made. Mr O was prosecuted and found guilty. The courts are waiting probation reports before sentencing him.

Appendices:

Appendix A – Sanction, Administration Penalties and Prosecution statistics 2012-13

Appendix B - Sanction, Administration Penalties and Prosecution statistics 2013-14

Appendix C - Housing and Council Tax Benefit Anti Fraud Strategy and Policy

Appendix D - Housing and Council Tax Benefit and Sanctions Policy

Background Papers:

None

Location of papers:

N/A

2012-13 Housing & Council Tax Benefit Fraud Results – Appendix A

Case No.	Sanction	Date	Source	Reason	Living Together	Joint Investigation	Officer	Q
27429	P	7.3.12 (4.4.12)	Police	Earnings		X	JB	1
24443	P	7.3.12 (4.4.12)	Anonymous	Capital		X	CR	1
90026815	AP	12.4.12 (10.5.12)	HBMS	earnings			ME	1
90025026	AP	12.4.12 (10.5.12)	HBMS	Tax Credits			HP	1
33164	P	16.4.12 (14.5.12)	DWP	earnings		X	HP	1
90025504	C	27.4.12	HBMS	earnings			HP	1
90024428	P	30.4.12 (28.5.12)	Anonymous	LT	X	X	HP	1
31800	C	23.4.12	HBMS	earnings			CR	1
90005220	P	18.4.12 (16.5.12)	HBMS	Capital			DA	1
33792	P	2.5.12 (30.5.12)	DWP	earnings		X	CR	1
20236	C	14.5.12	Team	LT	X	X	JB	1
16390	AP	16.5.12 (13.6.12)	HBMS	Tax Credits			JB	1
34103	AP	21.5.12 (18.6.12)	HBMS	earnings			DA	1
90026592	AP	21.5.12 (18.6.12)	HBMS	Tax Credits			DA	1
30469	AP	22.5.12 (19.6.12)	HBMS	Capital			DA	1
90028019	AP	22.5.12 (19.6.12)	HBMS	Tax Credits			JB	1
32992	AP	22.5.12 (19.6.12)	HBMS	Moved away			JB	1
23742	AP	22.5.12 (19.6.12)	HBMS	earnings			JB	1
90027447	AP	24.5.12 (21.6.12)	Team	earnings			ME	1
12222	AP	28.5.12 (25.6.12)	HBMS	earnings			JB	1
90024784	P	28.5.12 (25.6.12)	Team	LT			DA	1
35168	P	28.5.12 (25.6.12)	Fraud Team newspaper	LT			ME	1
32601	AP	31.5.12 (28.6.12)	HBMS	earnings			HP	1
90001545	P	18.6.12 (16.7.12)	Team	earnings			HP	2
33385	AP	26.6.12 (24.7.12)	HBMS	earnings			ME	2
37119	AP	29.6.12 (27.7.12)	HBMS	earnings			JB	2
32135	P	02.07.12 (30.7.12)	DWP	Earnings		X	HP	2
38799	AP	6.7.12 (3.8.12)	HBMS	WTC			ME	2
90028425	P	10.7.12 (7.8.12)	HBMS	earnings			HP	2
26132	P	13.06.12 (11.7.12)	HBMS	Capital			CR	2

90010663	P	17.7.12 (14.8.12)	Team	earnings			DA	2
38063	AP	24.7.12 (21.8.12)	HBMS	CTC			DA	2
25567	P	11.7.12 (8.8.12)	Anonymous	LT	X	X	CR	2
32771	AP	19.07.12 (16.8.12)	DWP GMS	Working		X	CR	2
17372	P	3.8.12 (31.8.12)	Anonymous	LT		X	CR	2
17679	AP	7.8.12 (4.9.12)	HBMS	earnings			JB	2
22069	AP	7.8.12 (4.9.12)	Team	earnings			CR	2
31498	AP	7.8.12 (4.9.12)	Team	earnings			CR	2
18792	P	13.8.12 (10.9.12)	BA	earnings		X	HP	2
37690	AP	15.8.12 (12.9.12)	HBMS	earnings			JB	2
33242	AP	20.8.12 (17.9.12)	Team	earnings			JB	2
90024170	AP	22.8.12 (19.9.12)	HBMS	Capital			HP	2
39756	AP	22.8.12 (19.9.12)	HBMS	WTC			JB	2
30575	P	22.8.12 (19.9.12)	Data Match	earnings			CR	2
11866	P	29.8.12 (26.9.12)	Team	LT		X	CR	2
90009678	P	10.9.12 (8.10.12)	Anonymous	LT	X		HP	3
36390	AP	12.9.12 (10.10.12)	HBMS	earnings			DA	3
18981	P	5.9.12 (3.10.12)	Team	PP and capital			CR	3
90006683	P	20.8.12 (17.9.12)	DWP	earnings			ME	2
90026169	P	10.9.12 (8.10.12)	Anonymous	LT & fake tenancy	X		HP	3
90028731	AP	09.10.12 (06.11.12)	DWP	Working		X	CR	3
90028769	C	12.10.12	HBMS	Working			DA	3
36644	AP	06.11.12 (04.12.12)	DWP	Working		X	HP	3
90023137	AP	06.11.12 (04.12.12)	HBMS	Partner working			CR	3
90029038	P	22.10.12 (19.11.12)	Anonymous	LT	X		HP	3
25598	P	31.10.12 (28.11.12)	Anonymous	LT	X	X	CR	3
90027964	P	5.11.12 (3.12.12)	HBMS	PPs & work			HP	3
90006969	P	19.11.12 (10.12.12)	Team	LT	X	X	JB	3

33193	P	26.11.12 (24.12.12)	Anonymous	LT	X	X	DA	3
15752	AP	21.11.12 (19.12.12)	HBMS	Working			CR	4
17539	AP	11.12.12 (8.1.13)	HBMS	Undeclared IIDB			JB	4
90028264	AP	11.11.12 (08.12.12)	HBMS	Partner working			ME	4
21829	AP	18.12.12 (15.1.13)	HBMS	Capital			JB	4
32912	C	04.01.13	HBMS	Working			HP	4
42998	C	09.01.13	Team	LT			CR	4
16074	P	9.1.13 (6.2.13)	Team	Capital			CR	4
90006548	P	15.1.13 (12.2.13)	HBMS	Not resident and LT			ME	4
40087	P	28.1.13 (25.2.13)	Team	Fake tenancy			DA	4
14823	P	23.1.13 (20.2.13)	Anonymous	Working			JB	4
31779	AP	08.02.13 (08.03.13)	Team	Fake tenancy			JB	4
35335	P	15.2.13 (15.3.13)	BA	Capital	X	X	CR	4
30336	AP	01.03.13 (29.03.13)	HBMS	Working			CR	4
26107	P	5.3.13 (2.4.13)	Anonymous	Fake tenancy, LT & capital			JB	
42220	P	7.3.13 (4.4.13)	Team	Fake tenancy			JB	
31541	P	27.4.12 (25.5.12)	HBMS	Working			HP	4
38775	C	31.1.13	HBMS	Working			DA	4
40087	P	28.1.13 (25.2.13)	Team	Fake tenancy			DA	4
10983	P	27.3.13 (24.4.13)	Team	Moved out			JB	4

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2013-14 Housing & Council Tax Benefit / Support Fraud Results - Appendix B								
Case No	Sanction	Date	Source	Reason	Living together	Joint Investigat - ion	Officer	Q
20295	P	9.4.13 (7.5.13)	DWP data match	Capital		X	JB	1
22805	P	1.5.13 (29.5.13)	HBMS	Capital			JB	1
90028146	P	13.5.13 (10.6.13)	HBMS	Working			DA	1
34072	P	15.5.13 (12.6.13)	Hot Line	LT	X	X	CR	1
26462	P	15.5.13 (12.6.13)	Anonymous	LT and capital	X	X	CR	1
90011922	P	10.6.13 (8.7.2013)	Team	Working			DA	2
38555	P	14.6.13 (12.7.13)	Anonymous	Capital			ME	2
90027168	P	3.6.13 (1.7.13)	Team	Fake tenancy			JB	2
39434	P	3.6.13 (1.7.13)	DWP data match	Capital		X	CR	2
90007080	P	24.6.13 (22.7.13)	DWP data match	Earnings (ptnr)		X	CR	2
90022056	C	15.07.13	Team	Undeclared 2 nd property			HG	2
90001516	P	23.7.13 (20.8.13)	HBMS	Working			DA	2
39986	P	29.7.13 (26.8.13)	HBMS	Tenancy fraud			ME	2
39481	P	7.8.13 (4.9.13)	Team	Tenancy fraud			DA	2
25839	P	14.8.13 (11.9.13)	Hot line	LT	X	X	CR	2
90026688	P	15.8.13 (12.9.13)	DWP	Earnings		X	HP	3
40849	P	19.8.13 (16.9.13)	Hot line	Capital			ME	3
22375	P	23.8.13 (20.9.13)	HBMS	Working			JB	3
N/A	P	28.8.13 (25.9.13)	HBMS	Working			CR	3
26655	P	11.9.13 (9.10.13)	DWP data match	Working		X	CR	3
90011462	P	9.10.13 (6.11.13)	DWP data match	Working and LT	X	X	DA	3
13121	P	30.10.13 (27.11.13)	Hot line	LT	X	X	CR	3
32326	P	7.11.13 (5.12.13)	Anon	Capital - property		X	CR	3
21557	AP	19.11.13 (17.12.13)	Team	Tenancy fraud			CR	3

40326	AP	21.11.13 (19.12.13)	HBMS	Occ-pen			ME	3
22757	AP	3.12.13 (31.12.13)	HBMS	capital			JB	3
24904	P	10.1.14 (7.2.14)	DWP	Tenancy fraud			CR	
90009615	P	2.12.13 (30.12.13)	DWP	Working		X	HG	
90027907	P	13.1.14 (10.2.14)	DWP	LT	X	X	CR	
90008521	P	3.2.14 (3.3.14)	DWP	LT	X	X	HG	
46266	AP	04.02.14 (4.3.14)	Team	Tenancy Fraud			CR	
41752	AP	27.02.14 (27.3.14)	Team	Undecared work			CR	
25978	P	18.2.14 (18.3.14)	Team	LT	X	X	JB	

Appendix C

HOUSING BENEFIT AND COUNCIL TAX BENEFIT ANTI-FRAUD STRATEGY AND POLICY

1. Strategy – Introduction

- 1.1 Central Bedfordshire Council (the Council) is committed to the delivery of Housing Benefit and Council Tax Benefit to its customers. We aim to provide a Benefit Service that ensures the right benefit gets to the right person at the right time.
- 1.2 The Council is committed to ensuring that claimants receive the benefits to which they are entitled and in line with our commitment to reduce poverty, will ensure that benefits are taken up by those people who need to access this service.
- 1.3 However, the Council recognises that some people will attempt to obtain benefits to which they are not entitled: For various reason they will not be truthful about their circumstances or deliberately fail to tell the Council about a relevant change. The Council will not tolerate abuse of the benefits system and will take proactive & reactive steps with a view to the prevention and detection of fraud and recovery of overpayments. Proceedings will be instigated in accordance with the Council's Housing Benefit and Council Tax Benefit Prosecution and Sanction Policy as appropriate.
- 1.4 This Strategy outlines the mechanisms whereby the Council will deliver a robust anti-fraud service in order to protect public funds and ensure that benefits are delivered to those who have a true entitlement to them.

2. Resources

- 2.1 The Council will appoint sufficient number of staff with appropriate skills to enable it to deliver the aims of the Housing Benefit and Council Tax Benefit Anti-Fraud Policy and realise the intended actions set out in the Anti-Fraud Strategy.
- 2.2 The Council will appoint designated Housing Benefit/Council Tax Benefit Investigation Officers, whose duties are to undertake investigations and gather evidence.
- 2.3 The Council will appoint designated Housing Benefit/Council Tax Benefit Visiting Officers, whose duties include visiting claimants to check the details of the claim and confirm supporting documentation.

- 2.4 The Chief Executive or delegated Officer will appoint Housing Benefit/Council Tax Benefit Inspectors. These inspectors will have the power of entry and inspection under Section 110 of the Social Security Administration Act 1992. The Chief Executive or delegated Officer will first ensure that the appointed Inspectors are right and proper persons and then issue them with letters of appointment. The letters of appointment will last for no more than one year, carry the full name of the inspector, the start and end dates of the appointment, reference to section 110 of the Social Security Administration Act 1992, the Council's logo and address and contact number for verification, the image of the inspector and the Chief Executive's or delegated Officer's signature.
 - 2.5 The Inspectors will use the letters of appointment to inspect business premises and to interview persons who may hold information that has relevance to a claim of Housing Benefit or Council Tax Benefit. Any abuse of these powers will result in the officer being dismissed from the employment of the Council.
3. **Targets**
- 3.1 Targets will be set for the Benefit Investigations Officers. These targets will be monitored by the Customer Accounts Manager (Fraud).

If an Officer fails to achieve the set targets, this will be addressed through the 6 monthly Performance Development Review held with each Officer.
4. **The Application Form**
- 4.1 The Housing Benefit/Council Tax Benefit application form will be reviewed annually to ensure that it asks plain language questions that help the claimant in obtaining benefit. At the same time, the form will make clear to the claimant that misinformation will not be acceptable and could result in the claimant being prosecuted.
5. **Verification of Housing Benefit/Council Tax Benefit Claims**
- 5.1 The information on the application form will be verified by Customer Accounts Processing Officers. Only original supporting documentation will be accepted.
 - 5.2 The format of the benefit application form is not prescribed, but has evolved through good practice and benchmarking with other local authorities.
 - 5.3 Whenever necessary, Benefit Investigation Officers will interview claimants under caution, in accordance with the Police and Criminal Evidence Act or will contact third parties under section

110 of the Social Security Administration Act 1992. Obtaining evidence will be done in compliance with the Data Protection Act.

6. **Data Protection Registration**

- 6.1 The Council will maintain its registration for benefits and grants administration and crime prevention and prosecution of offenders (registration numbers 8 & 11 respectively on the Council's registration document) and comply with any replacement scheme of notification under the Data Protection Act.

7. **Visiting of Claimants**

- 7.1 The Benefits Visiting Officers will maintain a visiting regime to confirm residency and cross-reference the information on the application form.

8. **Publicity**

- 8.1 Publicity will follow a twin-track approach; inviting those who feel that they have an entitlement to benefit to apply and discouraging those who might seek to defraud the system. All publicity should seek to tell the public that the Council has an investigation team whose purpose is to investigate fraud and potential fraud and to take legal action against those defrauding the Council.

- 8.2 All successful prosecutions will be reported to the media.

9. **Fraudulent Actions by Landlords**

- 9.1 Whilst the Council recognises that the majority of the landlords in the district are honest and fair, it also recognises that a few landlords do defraud, or attempt to defraud, the Housing Benefit system. Therefore, Benefit Investigation Officers will use their powers under the Housing Benefit (Supply of Information from Landlords) Regulations 1997 to obtain information from landlords. These powers will be used reasonably and in compliance with the regulations. Landlords will be expected to comply with requests for information or they may be prosecuted.

10. **Confidential Reporting Code ("whistle blowing")**

- 10.1 The Council will follow the procedure set out in the Confidential Reporting Code following allegations of abuse perpetrated by a Council employee. Action will be taken in accordance with the Council's main Anti-Fraud Strategy and policy (part 14 of the Constitution refers).

11. **Data Matching Exercises**

- 11.1 The Council is a member of the Housing Benefit Matching Service (HBMS), which cross checks our benefit claims against data held by other government agencies and credit reference agencies such as Experian. Its aim is to show duplicate claims and any source of undeclared income.

The council is also a member of the National Fraud Initiative (NFI) administered by the Audit Commission, which allows comparison of housing benefit data against many other data sources.

- 11.2 At all times, the Council will observe the advice and guidance of the Data Protection Registrar in the area of Data Matching.

12. **Working in Partnership**

- 12.1 The Council is keen to undertake specific benefit fraud drives by working with the Department for Work and Pensions, the Police, Home Office, Inland Revenue, Customs and Excise and other Council Directorates.

- 12.2 Cases where the alleged fraud would also affect a benefit administered by the Department for Work and Pensions will be investigated jointly.

- 12.3 Whilst the Council is committed to the exchange of information with other organisations, either on a case basis or through the mechanism of data-matching, the Council will observe the law on Data Protection, the Council's Data Protection Policy and the rules of confidentiality at all times.

13. **The use of Case Management Systems**

- 13.1 The Council's Benefit Fraud Investigation team will use a computerised Fraud System, which will interface with the Housing Benefit Computer System. This will assist officers by aiding the proper management, monitoring and recording of relevant claims.

14. **Police and Criminal Evidence Act and Codes of Practice**

- 14.1 In undertaking a benefit investigation the Council will observe the Police and Criminal Evidence Act 1984 Codes of Practice, and all other relevant legislation and codes. In other words, the claimant will be advised of their rights, and evidence will be obtained and secured in accordance with the law.

15. **Intelligence**

- 15.1 The Council will subscribe to the National Anti-Fraud Network in order to ensure the proper exchange of intelligence concerning possible and probable benefit fraud activity.
- 15.2 The Council will subscribe to publications about fraud and benefits in order to maintain current knowledge of fraud issues.
- 15.3 The Council will subscribe to appropriate organisations such as LAIOG (Local Authority Investigation Officers Group).

16. **Surveillance**

- 16.1 The Council uses the Regulation of Investigatory Powers Act (RIPA) in certain situations when investigating alleged abuses of the benefit system. This act is known as RIPA and allows the investigation officers to carry out surveillance on those people suspected of benefit fraud offences. All authorisations for RIPA are approved by senior officers and all investigation staff are trained in the use of the act.

All authorisations for RIPA will be in accordance with the Council's RIPA Policy and Procedures agreed on 1 April 2010.

17. **Training**

- 17.1 The Council will expect its investigators to be fully trained and to maintain this training. Wherever possible, it is desirable for investigators to hold suitable qualifications such as PINS (Professionalism in Security). The Council will ensure investigators receive training in all relevant changes in legislation and refresher training.

19 **Policy Introduction**

- 19.1 The Housing Benefit and Council Tax Benefit Anti-Fraud Strategy states the Council's intentions towards those who seek to defraud the Council. In order to convert these intentions into action, an Anti-Fraud Policy is required, which is described in the following paragraphs.
- 19.2 Central Bedfordshire Council's Housing Benefit & Council Tax Benefit Anti-Fraud Policy represents a commitment by the Council to implement a robust anti-fraud strategy in order to protect public funds and to ensure that benefits are delivered to those who have a true entitlement to them.
- 19.3 This Policy outlines the mechanisms whereby the Council will deliver the above commitment to its citizens.

20. **Action on Overpayment of Benefit**

- 20.1 Where Benefit is fraudulently obtained the Council will consider prosecution or sanction action in accordance with the Prosecution and Sanction Policy and seek to recover any overpaid benefit.
 - 20.2 In some circumstances, it is not in the public interest to take prosecution or sanction action. Under these circumstances, the Council will seek to recover any overpaid Benefit.
 - 20.3 It would not be the Council's intention to place the customer into hardship, but failure to come to a reasonable arrangement for repayment will result in taking civil recovery through the courts.
21. **Action on Overpayment of Benefit to Landlords**
- 21.1 Payments of benefit are sometimes made directly to landlords on behalf of the claimant. In some cases, landlords falsify claims or assist claimants to falsify claims for Benefits. Where Benefit is obtained in these circumstances the Council will consider prosecution or sanction action against the landlord in accordance with the Prosecution and Sanction Policy and seek to recover any overpaid Benefit.
 - 21.2 Landlords who are receiving Benefit directly are obliged to report any changes in their tenants' circumstances, which they could reasonably be aware of. The Council makes landlords aware of their duty to report changes and failure to do so may be an offence. Where an offence has been committed, the Council will consider prosecution or sanction action and will recover any overpaid benefit either directly from ongoing payments of benefit to the Landlord or through civil recovery through the courts.
22. **Working in Partnership with Other Organisations**
- 22.1 Where necessary, the Council will work in co-operation with other organisations such as the Police, Department for Work and Pensions (DWP), Home Office, Inland Revenue and Customs and Excise in order to combat benefit fraud.
23. **The Data Protection Act**
- 23.1 The Council is registered with the Information Commissioner's Office in compliance with the Data Protection Act 1998, for the purposes of: benefits and grants administration (purpose 8) and crime prevention and prosecution of offenders (purpose 11). Registration number – Z169787X.
 - 23.2 The processing of personal data will be undertaken in line with the Data Protection Act and the Council's Data Protection Policy.

- 23.3 The management of records will be in accordance with the Council's Information Records Management Policy.
- 23.4 Where required the Council will use Section 29(1) of this act, which protects organisations who supply information to the Council in its investigation of alleged benefit fraud. Section 29(1) allows organisations to supply information when it is for the purpose of preventing or detecting crime, or the apprehension or prosecution of offenders, without being in breach of data protection principles.
24. **Duties and Considerations of Benefit Investigation Officers**
- 24.1 When investigating fraud, council fraud investigators will work within the guidelines of the Police and Criminal Evidence Act 1984, Criminal Procedures Investigation Act 1996, Human Rights Act 2000, Social Security Administration Act 1992 and apply the Council's policies on equal opportunities and customer care. The Council's officers will at all times apply appropriate procedures to maintain confidentiality.
- 24.2 It is the duty of the fraud investigators to investigate all referrals of suspected or alleged benefit fraud and to establish the facts of each case.
25. **Duties and Considerations of all Council Employees**
- 25.1 The Council will require all officers involved in the administration of benefits to report to the Customer Accounts Manager details of any connection they have to a claim, such as being a landlord, claimant, partner, non-dependant etc. The details will be held on a register held by the Customer Accounts Manager (Fraud) and access will be restricted to investigation staff and managers.
- 25.2 The Council will require all officers involved in the administration of benefits to report to the Customer Accounts Manager where they are aware that a close family member has claimed Benefit. The details will be held on a register held by the Customer Accounts Manager (Fraud) and access will be restricted to investigation staff and managers.
- 25.3 Gifts and hospitality offered to employees as a consequence of their role - as an officer dealing with benefits - must be reported to a senior officer.
- 25.4 Any Council officer found to be involved in an offence under the Social Security Act 1992, or any criminal offence involving claims of benefit either at this Council, any other Council or the Department for Work and Pensions will be disciplined under the Council's Disciplinary Procedures, in addition to any prosecution proceedings that may occur.

- 25.5 Where any Council Officer investigating a benefit fraud abuses their powers, an investigation will take place with a view to taking disciplinary action.
26. **Duties and Considerations of Elected Members**
- 26.1 The Council will require all elected Members to report to the Customer Accounts Manager (Fraud) details of any connection they have to a claim, such as being a landlord, claimant, partner or non-dependant. The details will be held on a register held by the Customer Accounts Manager (Fraud) and access will be restricted to investigation staff and managers.
- Members should e-mail the Customer Accounts Manager (Fraud) at julie.luckman@centralbedfordshire.gov.uk
- Any reports received will be held in confidence for the period of the benefit claim and will only be referred to should an investigation be initiated into the particular claim.
- This requirement is not contained within the Council's Constitution but is deemed to be good practice as demonstrated by bench marking with other local authorities.
27. **Confidential Reporting Code ("whistle blowing")**
- 27.1 The Council has set out its policy on whistle blowing and Council employees and Elected Members are encouraged to inform the Council of any abuse of power perpetrated by colleagues. The Council will follow procedures set out in this code when responding to allegations of abuse.
28. **Benefit Administration and Counter-Fraud Action**
- 28.1 The Council believes that it is important to discourage and prevent fraud from taking place in the first instance. The Council will implement vigorous procedures for the verification of claims. Although claims for benefit will be subject to close scrutiny, the Council is committed to delivering benefit expeditiously.
- 28.2 The Council's application form for Housing Benefit/Council Tax Benefit will include questions and instructions in plain language giving the customer clear directions to what is required of them. The form will carry warnings and information; so that the claimants will understand the risks to them should they choose to misinform the Council of their personal circumstances.
- 28.3 The Council will put in place systems which will allow the customer to request assistance to complete their application form and to inform the Council of changes to their circumstances.
- 28.4 The Council is committed to having controls designed to prevent fraud being perpetrated by its own staff. Therefore all staff employed in Benefits and Investigation Departments will be

rigorously vetted at the time of application. If misrepresentation is found to have occurred on the application form or at interview, disciplinary procedures will be considered.

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Appendix D

HOUSING BENEFIT AND COUNCIL TAX BENEFIT PROSECUTION AND SANCTION POLICY

1. Introduction

- 1.1 Central Bedfordshire Council is committed to prevention, deterrence, detection and investigation of benefit fraud.
- 1.2 Benefit fraud occurs because people for various reasons will not be truthful about their circumstances, or deliberately fail to tell the Council about a relevant change.
- 1.3 The aim is to prevent criminal offences occurring by making it clear to our customers that they have a responsibility to provide accurate and timely information about their claims; to punish wrongdoing; and to deter offending.
- 1.4 Prosecution of claimants will be sought in cases that are considered suitable after examining the various factors of the case. As an alternative to prosecution, Administrative Penalties, fixed at 30% of the fraudulent overpayment, and Simple Cautions will be considered.
- 1.5 Whether or not the Council decide to take prosecution action, offer an Administrative Penalty or offer a Simple Caution it will take steps to recover the fraudulent overpayment, including taking action in the civil courts if necessary.
- 1.6 The Welfare Reform Act 2007 provided the Council with powers to investigate and prosecute offences against certain national social security benefits alongside Housing Benefit and Council Tax Benefit.
- 1.7 The Council's Legal Service has the authority to prosecute all offences on behalf of the Council.
- 1.8 The Customer Accounts Manager (responsible for fraud) is responsible for the offering of Administrative Penalties and Simple Cautions.

2 Decision making procedure

- 2.1 Investigations come from a variety of sources. These include:
 - Matching our data with outside organisations
 - Anonymous allegations

- Benefit processing staff

The Investigations Team Leader uses a risk scoring matrix to ensure investigations are only undertaken on the most suitable risk cases. The Team Leader allocates investigations to Investigation Officers.

2.2 The role of the Investigating Officer is as follows:

- Undertake the investigation and gather the evidence
- Putting together a file
- Pass the file to the Team Leader to assess the merits and outcomes of the investigation

2.3 Following completion of an investigation an Investigations Team Leader will write a detailed report of the case, which will include:

- Details of the investigation and evidence obtained
- Details of the Interview Under Caution
- Factors that could prejudice a successful prosecution; such as any failure in the investigation or benefit administration, including delay and contraventions of any criminal legislation the Council's Investigation Officers must adhere to
- The amount of fraudulent overpayment

A recommendation for any sanction/prosecution action; which will include the relevant offences they consider may have been committed.

2.4 A Team Leader cannot write such a report on a case for which they were also the investigating officer. In such circumstances the matter is passed to another Investigations Team Leader or the Customer Accounts Manager (Fraud).

2.5 The report will be submitted to the Customer Accounts Manager (Fraud) for their decision.

3 **Prosecutions**

3.1 The Prosecution Policy in the Council's Constitution provides the framework for the Prosecution and Sanction Policy for Housing Benefit and Council Tax Benefit. The Council will prosecute where fraudulent overpayment is identified and the case passes the evidential test and public interest test; and it is economically

viable.

- 3.2 The Council will always seek to prosecute where they believe there are aggravating factors about a case, which make it suitable for prosecution regardless of the economic viability of the prosecution.
- 3.3 For clarity, each case is reviewed on its own merits. The review of the case would determine whether or not it is suitable for prosecution.
- 3.4 The Council will always seek to prosecute if a customer has already been prosecuted, received a Simple Caution or Administrative Penalty for similar offences or the offer to accept an Administrative Penalty or Simple Caution has been declined.
- 3.5 The Council however must, upon deciding whether to take prosecution action, also consider all the circumstances surrounding the case, with particular emphasis on the following;
 - Whether there is sufficient evidence for a realistic prospect of a conviction
 - Any failure in the investigation or benefit administration, including delay
 - Whether a prosecution is in the *public interest*.

Public Interest

The council is guided by the Code for Crown Prosecutors. A copy of the Code can be obtained on the CPS website www.CPS.gov.uk or from the CPS Communications Branch, 50 Ludgate Hill, London, EC4M 7EX.

The Code details public interest factors such as:

- The amount of the overpayment and duration of the alleged offence
- Any abuse of position or privilege
- Any previous incidence of fraud
- Whether a conviction is likely to result in significant sentence or a nominal penalty
- Whether there is evidence that the suspect was a ring leader or an organiser of the offence
- Whether there was planning in the process

- Whether the claim was false from inception
- Whether there are grounds for believing that the offence is likely to be continued or repeated, based on any history of recurring conduct
- Whether the alleged offence, irrespective of its seriousness, is widespread in the area where it was committed.
- Whether the claimant is elderly or suffering from either significant mental or physical ill health
- Social factors
- The defendant has put right the loss or harm that was caused; such as *Voluntary Disclosure* (but customers must not avoid prosecution solely because they pay back the fraudulent overpayment).

Voluntary Disclosure

Voluntary Disclosure occurs when customers, of their own free will, reveal a fraud of which the Council has been unaware. It does not apply to cases where, for example:

- The disclosure is prompted by a belief that the fraud would have been discovered;
- The claimant has discovered that they were already being investigated;
- The disclosure was prompted by, for example, a verification visit.

4 **Simple Cautions**

- 4.1 A Simple Caution is an administrative sanction that the Council is able to offer as an alternative to prosecution, provided that specific criteria are met, as detailed in 4.3 and the case is one where the Council have sufficient evidence to take prosecution action if the caution was refused.
- 4.2 Simple Cautions are usually aimed at the less serious benefit frauds and those where the overpayment is below economic viability for prosecution. This viability is set at overpayments of less than £2,000 as per the DWP guidance. It can be used where the deterrent effect is considered a sufficient and suitable alternative to prosecution or an Administrative Penalty.
- 4.3 The customer must make a clear and reliable admission of the offence verbally or in writing and there must be a realistic prospect of conviction if the customer were to be prosecuted.

- 4.4 If the customer is subsequently prosecuted for another benefit offence the caution may be cited in court.
- 5 **Administrative Penalties**
- 5.1 An Administrative Penalty is the offer to the customer to agree to pay a financial penalty where the customer has caused benefit to be overpaid to them, by either an act or omission. The amount of the penalty is stipulated at 30% of the amount of the overpayment.
- 5.2 An Administrative Penalty is offered where the case is deemed to be not so serious and the offer of it is considered a suitable alternative to prosecution and the overpayment is below economic viability for prosecution. This viability is set at overpayments of less than £2,000 as per the DWP guidance. Unlike Simple Cautions no admission of guilt is required from the customer before offering an Administrative Penalty, although there must be grounds for instituting criminal proceedings for an offence relating to the overpayment, should the Administrative Penalty be refused.
- 6 **Proceeds of Crime Act (POCA)**
- 6.1 The Council has an active policy of referring all suitable cases for financial investigation to a Financial Investigator with a view to applying to the courts for restraint and/or confiscation of identified assets. (The legislation governing this is the Proceeds of Crime Act.) A restraint order prevents a person from dealing with specified assets. A confiscation order enables the Council to seek to recover its losses from assets, which are found to be the proceeds of crime.
- 6.2 The underpinning principle of POCA is to demonstrate that crime does not pay, and whereas in the past prosecution alone may have been an insufficient deterrent (due to a perceived laxness in sentencing) POCA will seek redress by confiscating not only what the criminal has received as a direct result of the crime (i.e. the loss to the Council) but also what can be demonstrated to have been obtained as a benefit from the proceeds of the crime (as a basic example, if someone steals funds that allow them to put a deposit on a property, then the whole property becomes forfeit, not just the value of the funds stolen).
- 7 **Recovery of Debt**
- 7.1 Whether or not the Council decide to take prosecution action, offer an Administrative Penalty or offer a Simple Caution it will take steps to recover the fraudulent overpayment, including taking action in the civil courts if necessary.

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Meeting: Audit Committee
Date: 31 March 2014
Subject: 2014-15 Audit Plan
Report of: Charles Warboys - Chief Finance Officer
Summary: This report presents the 2014-15 Audit Plan for review and approval.

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

CORPORATE IMPLICATIONS

Council Priorities:

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

Financial:

1. None directly from this report.

Legal:

2. None directly from this report.

Risk Management:

3. The outcome of developing and implementing the 2014-15 Audit Plan is for the Council to better manage its risk, thereby mitigating the impact from adverse events.

Staffing (including Trades Unions):

4. None directly from this report.

Equalities/Human Rights:

5. None directly from this report.

Public Health

6. None directly from this report.

Community Safety:

7. None directly from this report.

Sustainability:

8. None directly from this report.

Procurement:

9. None directly from this report.

RECOMMENDATION:

The Committee is asked to approve the 2014-15 Audit Plan.

Background

10. The new Public Sector Internal Auditing Standards, effective from 1 April 2013, require the Head of Internal Audit to establish risk based plans to determine the priorities of internal audit activity, consistent with the organisation's goals. This should be supported by a documented risk assessment, giving consideration to the input of senior management.
11. The Audit Committee, at its meeting in April 2013, approved the Strategic Audit Plan covering the period 2013-2016.
12. 2014/15 represents the second year of the three year plan. The plan has been reconsidered and updated following discussion with senior officers.

Internal Audit Plan

13. In previous years the Audit Plan has been supported with an Internal Audit Strategy, which has set out the approach adopted to developing the plan. The new Public Sector Internal Audit Standards require the plan itself to set out how it was prepared. Therefore the plan this year is presented as one document, setting out both the approach and the work plan.
14. The plan has been informed by:
- reference to the previous Audit Needs Assessment undertaken
 - consultation with senior management
 - Internal Audit's own analysis of risk areas
 - Outcomes of previous audits
 - reference to the strategic and operational risk registers, and
 - the outcome of the assurance mapping exercise on the risks documented within the Strategic Risk Register.

15. In developing the audit plan, consideration has also been given to:
 - Providing assurance on the Council's fundamental systems
 - ICT assurance work
 - Grant claim sign off work
 - Anti Fraud activity, having regard to the National Fraud Authority's (NFA) Fighting Fraud Locally initiative
 - System reviews of key service activities
 - Follow up work, where appropriate
 - Consultancy and advice
 - Engagement in key transformation programmes and projects, as appropriate.
 - New Government initiatives, such as Local Welfare Reform
 - Local initiatives, including the Medium Term Plan
 - The need to ensure that basic systems and controls are robust and being complied with at a time when the Council is going through a period of significant change.

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

17. The approach to the delivery of the fundamental systems audits will be agreed with Ernst and Young, the Council's external auditors. .

18. The main revisions to the 2014-16 Plan are highlighted in grey in the attached Appendix, along with an explanatory comment, and the key changes for 2014/15 are summarised below:
 - The plan includes three reviews deferred from 2013/14 (Customer First, Direct Payments, and the Impact of Welfare Reform).
 - Six additional reviews have been added (Compliance – Assets, Teachers' Sickness Absence Pool, School Transport, Troubled Families, Residential Care Homes and Information Governance)
 - Two reviews have been removed, as the directorate has already undertaken an in depth review (Safeguarding Children and Frameworki)
 - The provision for consultancy has increased to reflect Internal Audit being more involved in projects at the development stage.

19. It is recognised that the plan does not include new reviews for the recently formed Regeneration and Business Directorate. The Internal Audit requirements for this area will be developed in consultation with senior officers within the directorate and reflected in future revisions to the plan.

20. The Public Sector Internal Audit Standards only require a detailed audit plan to cover a period of one year. However, an outline plan has also been produced for 2015/16 to demonstrate how the Internal Audit Service plans to provide assurance over the next two years. Prior to the start of 2015/16 the plan will be reviewed, updated and expanded to provide more detail of the reviews to be undertaken. The specific work to be carried out will be considered when scoping the audit work.
21. The plan has been discussed and agreed with the Corporate Management Team.
22. The Audit Plan is attached at Appendix A.

Available Resources

23. It is estimated that there will be 1,260 productive audit days available for 2014/15. Although the Internal Audit Service was required to deliver efficiency savings for 2014/15 these have been achieved through a limited restructure and rationalisation of processes without any reduction in productive audit days.

Conclusion and Next Steps

24. Approval by the Audit Committee of the revisions to the Internal Audit Plan will ensure that Internal Audit can progress its work in line with an agreed approach.
25. The Audit Committee can then use the final plan to monitor the work of internal audit to ensure that appropriate assurance is provided on the Council's systems.

Appendices

Appendix A – Internal Audit & Risk 2014-15 Audit Plan

Background Papers:

None

Appendix A

Internal Audit & Risk 2014-15 Audit Plan

March 2014



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Internal Audit Plan 2014-15

1 Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit and Risk to establish risk based audit plans to determine the priorities for internal audit work, consistent with the Council's objectives. In preparing this plan, the Head of Internal Audit and Risk is required to take account of the Council's :
- Risk management framework, and relative risk maturity of the organisation,
 - Assurance framework,
 - Vision, objectives and priorities,
 - and
 - How the work will address local and national issues and risks.
- 1.2 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. The plan, therefore, needs to be sufficient to enable this opinion to be issued. In addition the results of Internal Audit's reviews will help inform the Annual Governance Statement.
- 1.3 The audit plan has been agreed with senior management and was approved by the Audit Committee on XXXX
- 1.4 The plan 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. Revisions made would be in response to changes in the Council's business, risks, operations, programs, systems or controls.
- 1.5 The plan will be delivered in accordance with the Internal Audit Charter and Internal Audit Engagement Protocol.

2. Strategic Aims and Objectives

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

3 Audit Needs Assessment

- 3.1 The Audit Committee in April 2013 approved a three year strategic audit plan. This was prepared following an audit needs assessment.

- 3.2 The audit needs assessment focuses internal audit work on key risk areas whilst ensuring comprehensive coverage by prioritising its work and considering;
- previous audit needs assessments undertaken
 - consultation with senior management
 - Internal Audit's own analysis of risk areas
 - outcomes of previous audits
 - known areas of concern
 - reference to the strategic and operational risk registers, and
 - the outcome of the assurance mapping exercise on the risks documented within the Strategic Risk Register
- 3.3 In developing the audit plan, consideration has also been given to;
- Providing assurance on the Council's fundamental systems
 - ICT assurance work
 - Grant claim sign off work
 - Anti Fraud activity, having regard to the National Fraud Authority's (NFA) Fighting Fraud locally initiative
 - System reviews of key service activities, including governance arrangements
 - Follow up work, where appropriate
 - Key contracts and partnership arrangements
 - Consultancy and advice
 - Special investigations
 - Engagement in key transformation programmes and projects, as appropriate.
 - New Government initiatives, such as Local Welfare Reform
 - Local initiatives, including the Medium Term Plan
 - The need to ensure that basic systems and controls are robust and being complied with at a time when the Council is going through a period of significant change
- 3.4 2014/15 represents the second year of the three year plan. It has been reviewed and refreshed following discussion with senior management and the updated plan is attached at Appendix 1.
- 3.5 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. Priorities for Internal Audit Work

- 4.1 When preparing the audit plan, the following list represents the classification within which audits are considered:
- Audits in progress from previous year,
 - Fundamental system assurance work,
 - Follow up of "No assurance" audits or audits where on going risks have been identified,
 - Audits to mitigate key control weaknesses identified in the risk registers,
 - New developments
 - Unplanned work (contingency).

5. Auditor Independence

- 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 Internal auditors are required to declare any personal interests which may impact on their objectivity and these are factored into audit planning.
- 5.3 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. Internal Audit Resources

- 6.1 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.
- 6.2 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.
- 6.3 If a situation arose whereby Internal Audit resources were insufficient, the Head of Internal Audit and Risk would discuss this with the Chief Finance Officer.
- 6.4 Internal Auditors will maintain their professional competence through an appropriate ongoing development programme.
- 6.5 It may be necessary, from time to time, to buy in either agency staff or sub- contractors, of a suitable quality.

7. Reporting

- 7.1 Reporting will be in accordance with the Internal Audit Charter.
- 7.2 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.

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2014-16 Internal Audit Plan

Priority	Audit Title	2014/15 Original	2014/15 Updated	2015/16 Provisional	Comments
Fundamental Systems					
H	Accounts Payable/Purchase Ledger (including feeder systems)	35	35	35	
H	Accounts Receivable/Sales Ledger	30	30	30	
H	Asset Management (incl. Asset Register)/Capital Accounting	30	30	30	
H	Council Tax (including Council Tax Support Scheme)	35	35	35	
H	Housing Benefits	40	40	40	
H	Main Accounting Systems (MAS)	30	30	30	
H	National Non Domestic Rates NNDR	35	35	35	
H	Payroll	35	35	35	
H	SWIFT Financials	15	15	15	
H	Treasury Management	25	25	25	
H	Housing Rents including tenant arrears	25	25	25	
H	Cash And Banking (Non Invoiced Income)	20	20	20	
Total - Fundamental Systems		355	355	355	
Assurance Audits - Improvement and Corporate Services					
M	Data Quality	15	15	15	
H	Information Governance - application of framework	0	15	15	Rolling programme planned
M	Corporate Governance Reviews	15	15	15	
M	Public Health data - assurance on Information Management	15	15	0	
M	Application Reviews	15	15	15	
M	Customer First Information Security	0	15	0	Deferred from 2013/14
n/a	Virtualised Data Centres	0	0	0	15/16 plan as no longer relevant
H	SAP Master Data Maintenance post ESS/MSS	15	15	0	
H	IT Disaster Recovery	10	10	10	
H	SAP Access and Security	10	10	10	
n/a	Third Party Hosting	0	0	15	
n/a	IT activities delivered outside IT	0	0	15	
n/a	Emerging Health Agenda - Information Governance, Integration and Technology Standards	0	0	15	Additional review proposed for 2015/16
n/a	IT Network Management and Security	0	0	0	Removed from 15/16 plan as no longer relevant
M	Corporate Asset Management Strategy	15	15	0	
H	Compliance- Assets	0	15	0	Additional review
M	Asset Management System	15	15	0	
Total- Improvement and Corporate Services		125	170	125	

Priority	Audit Title	2014/15	2014/15	2015/16	Comments
		Original	Updated	Provisional	
Assurance Audits - Finance					
H	Impact of Welfare Reform	0	15	15	Additional Review
M	Adherence to Procurement Procedures	15	15	15	
L	Sickness Absence Pool	0	5	0	Additional Review
Total - Finance		15	35	30	
Assurance Audits - Children's Services					
M	Schools General - School Improvement	80	80	80	
n/a	Effective Use of Management Information - Safeguarding	15	0	0	Removed from plan as service area has undertaken an in depth review
H	School Transport	0	15	0	Additional review added at request of service area
H	Troubled Families Grant	0	15	0	Additional review added at request of service area
n/a	Framework i	10	0	0	Removed from plan as service area has undertaken an in depth review
Total - Children's Services		105	110	80	
Assurance Audits - Social Care, Health and Housing					
M	Housing Repairs	20	20	20	
H	Direct Payments	0	15	0	Deferred from 2013/14
n/a	Local Welfare Provision	15	0	0	Combined with Impact of Welfare Reform review
M	Housing Tenancy Management	15	15	0	
M	Residential Care Homes	0	20	20	Additional review
M	Care Homes - Accreditation Scheme for Dementia	10	10	0	
Total - Social Care, Health and Housing		60	80	40	

Priority	Audit Title	2014/15	2014/15	2015/16	Comments
		Original	Updated	Provisional	
Assurance Audits - Community Services					
n/a	Post implementation review of Flitwick Leisure Centre	0	0	15	Additional review
Total - Community Services		0	0	15	
Assurance Audits - Regeneration and Business Support					
n/a	CIL	15	0	15	Deferred from 2014/15 due to delay in Implementation
Total - Regeneration and Business Support		15	0	15	
Assurance Audits - Contracts and Partnerships					
M	Contracts Management	20	20	20	
n/a	Impact of Community Right To Challenge	0	0	15	
n/a	Partnership Governance	15	0	15	Deferred to 15/16
Total - Contracts and Partnerships		35	20	50	
Assurance Audits - Public Health					
M	Public Health compliance with best practice	15	15	15	Rolling programme proposed
Total - Public Health		15	15	15	
Special Investigations					
M	National Fraud Initiative (NFI)	20	20	20	
M	Special Investigations	40	40	40	
Pro Active Anti Fraud:					
M	Internet and Email systems	10	10	0	
M	Voluntary funds	10	10	0	
M	Cash income	10	10	0	
n/a	Bank Accounts and Bank Imprests	0	0	10	
n/a	Use of purchasing Cards	0	0	10	
Total - Special investigations		90	90	80	
Ad Hoc Consultancy etc.					
H	Risk Management Activities	35	35	35	
M	Major projects - Consultancy	20	40	40	Number of days allocated increased in line with more audit input into projects
M	Supporting Annual Governance Statement	5	5	5	
M	Audit of Individual Grants	20	20	20	
M	General Advice	20	20	20	
M	Head of Audit Chargeable Against Plan	60	60	60	
M	Assurance Mapping Review	0	5	5	Additional provision
M	Benchmarking Exercise	5	5	5	
L	Contingency	160	75	145	
Total - Ad Hoc Consultancy etc.		325	265	335	
Carry over Work					
H	Completion of reviews in progress as at 31st March	120	120	120	
Total - Carry over Work		120	120	120	
TOTAL CHARGEABLE DAYS REQUIRED		1260	1260	1260	

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Meeting: Audit Committee
Date: 31 March 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 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 February 2014.

Progress on the 2013/14 Internal Audit Plan

Fundamental Systems Audits

13. Work is progressing on the 2013/14 fundamental system audit reviews and the progress made to date is summarised in Appendix A. Final Phase 1 reports have been issued for the majority of the key systems. Work is in progress for Asset Management and SWIFT Financials.
14. The primary focus of the work undertaken to date has been to document the systems in detail, identifying the key controls and undertaking walkthrough testing to confirm whether the key controls identified are operating effectively. Where appropriate, substantive testing has been undertaken covering the period April – October (Phase 1 testing).
15. As reported to the last Committee, following 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. This work is currently in progress and the outcome of this work will be reported to the June Committee.

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.
17. Each of the fundamental system reviews finalised has received an adequate audit opinion. The Payroll system has received an adequate opinion for the first time since the inception of the Council, having previously received limited opinions. The audit testing identified that improvements had been made in a number of areas, including the documentation of procedures, documentation to support payroll amendments and other control processes.

Other Audit Work

18. In addition to work on managed audits, work has been finalised on the following reviews:
 - Members' Declaration of Interests - Adequate
 - Data Quality – Adequate
 - Values for Money Review – Legal Spend. This was a consultancy review with no opinion given.
19. Work has concluded on the review of Council procedures relevant to the employment of contractors and consultants, as requested by the Committee. An overview of the work undertaken, along with findings and agreed actions will be presented to the Committee during the March meeting..
20. 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.
21. 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)

22. 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 current 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. The outcome of these reviews will be analysed to identify whether any improvement in controls is required.

Fraud and Special Investigations

23. Three investigations have been concluded since the last Committee. The outcome of these reviews are summarised at Appendix B.

Schools

24. The rolling programme of school audit visits has continued. To date this year 12 school reports have been finalised and one further draft report has been prepared. Work is progressing on two further school audit reports.

Performance Management

25. 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.

26. **Activities for 1 April 2013 – 28 February 2014**

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	85%	73%	92%	80%
KPI02	Percentage of the number of planned reviews completed.	64%	66%	67%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	73%	75%	59%	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.	79%	80%	76%	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%	85%	80%
KPI06	Overall customer satisfaction.	86%	80%	93%	80%

27. Analysis of indicators:

KPI01 – As at the end of February Internal Audit has delivered a total of 1081 productive audit days against a total of 1,260 planned days for the year. This is above the target of 73%

KPI02 – This KPI measures final reports issued to date. 64% of the planned reviews have been completed to final report stage along with milestones reached for Fundamental Systems Audit work. This is slightly below target.

KPI03 – 73% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is slightly 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 just below target but shows an improvement compared to the previous year.

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

KPI06 – 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

28. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council, both through audit assurance work and, increasingly, through advising on new controls at the design stage for new systems. Work is progressing on the delivery of the outstanding reviews, and the outcomes will be reported to the next Audit Committee.

Appendices:

Appendix A – Progress on Audit Activity

Appendix B – Special Investigations Completed

Background Papers:

None

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<u>IA Ref</u>	<u>Audit Title</u>	<u>2013/14</u>	<u>Position as at</u> <u>end February</u> <u>2014</u>	<u>Opinion</u>
		Days		
Carry over Work				
	Completion of reviews in progress as at 31st March	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		Fieldwork commenced	
	SWIFT Disaggregation Consultancy		Completed	n/a
	Contract Management - Amey		Final report issued	Adequate
	Data Quality		Final report issued	Adequate
	Ethical Governance		Final report issued	Adequate
	Biggleswade Day Centre		Final report issued	Adequate
	Leighton Buzzard Day Centre		Final report issued	Adequate

<u>IA Ref</u>	<u>Audit Title</u>	<u>2013/14</u>	<u>Position as at end February 2014</u>	<u>Opinion</u>
		Days		
	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
Total - Carry over Work		150		
Key Financial Systems				
	Accounts Payable/Purchase Ledger (including feeder systems)	35	Final report issued	Adequate
	Accounts Receivable/Sales Ledger	30	Final report issued	Adequate
	Asset Management (incl. Asset Register)/Capital Accounting	30	Fieldwork commenced	
	Council Tax	35	Final report issued	Adequate
	Housing Benefits (including Council Tax Support Scheme)	45	Final report issued	Adequate
	Main Accounting Systems (MAS)	30	Final report issued	Adequate
	National Non Domestic Rates NNDR	35	Final report issued	Adequate
	Payroll	40	Final report issued	Adequate
	SWIFT Financials	15	Fieldwork commenced	
	Treasury Management	25	Final report issued	Adequate
	Housing Rents including tenant arrears	25	Final report issued	Adequate
	Cash And Banking (Non Invoiced Income)	20	Final report issued	Adequate
Total - Managed Audits		365		
Assurance Audits - Organisation and People				
	Recruitment Controls (including vetting)	15	Fieldwork commenced	
	Data Quality	15	Fieldwork commenced	
Total- Organisation and People		30		
Assurance Audits - Corporate Services				
	Teachers Pensions	15	Fieldwork commenced	

<u>IA Ref</u>	<u>Audit Title</u>	<u>2013/14</u>	<u>Position as at end February 2014</u>	<u>Opinion</u>
		Days		
	Major projects - Consultancy	20	Ongoing. Work undertaken includes ESS/MSS, Routewise, and the Local Welfare Provision Board	n/a
	Impact of Welfare Reform	15	Deferred	n/a
	Adherence to Procurement Procedures	15	Scoping in Progress	
	DSG - outturn compilation	5	Finalised	n/a
Total - Corporate Services		70		
Assurance Audits - Children's Services				
	Schools General - School Improvement	80	Ongoing. 12 final reports issued, one further draft report prepared, and 2 reviews in progress.	
	Corporate Financial Management	10	Fieldwork commenced	
Total - Children's Services		90		
Assurance Audits - Social Care, Health and Housing				
	Housing Repairs	25	Draft Report issued	
	Domiciliary Care Framework Agreement	10	Scoping in Progress	
	Financial Management	15	Scoping in Progress	
	Direct Payments	15	Deferred	
	Independent review of Care Homes Contract Model	10	Fieldwork almost complete	
Total - Social Care, Health and Housing		75		
Assurance Audits - Sustainable Communities				
	Section 278 Agreements	15	Scoping in progress	
Total - Sustainable Communities		15		
Assurance Audits - Governance				
	Officers Declaration of Interests - Follow Up	5	Final report issued	Satisfactory progress

<u>IA Ref</u>	<u>Audit Title</u>	<u>2013/14</u>	<u>Position as at end February 2014</u>	<u>Opinion</u>
		Days		
	Members Declaration of Interests	5	Final report issued	Adequate
	Officers Hospitality and Gifts - Follow Up	5	Fieldwork completed	
	Members Hospitality and Gifts - Follow Up	5	Fieldwork commenced	
Total - Governance		20		
Assurance Audits - Contracts and Partnerships				
	Contracts Management	20	Draft Report issued	
	Value for Money review of spend on legal advice	15	Final Report issued	n/a
Total - Contracts and Partnerships		35		
Assurance Audits - ICT				
	Customer First Information Security	15	Deferred	
	IT Disaster Recovery	10	Scoping in Progress	
	SAP Access and Security	10	Scoping in Progress	
	ICT Governance Phase 2	15	Fieldwork commenced	
	IT Network Management and Security	15	Cancelled	
Total - ICT		65		
Assurance Audits - Public Health				
	Review of SLAs	15	Fieldwork commenced	
Total - Public Health		15		
Special Investigations				
	National Fraud Initiative (NFI)	20	ongoing throughout year	n/a
	Special Investigations	40	ongoing	n/a
	Pro Active Anti Fraud:			
	Timesheet claims	10	Scoping in progress	
	Expense claims	10	Fieldwork commenced	
Total - Special investigations		80		
Ad Hoc Consultancy etc,				
	Risk Management Activities	35	ongoing throughout year	n/a
	Supporting Annual Governance Statement	5	12/13 AGS finalised	n/a
	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

<u>IA Ref</u>	<u>Audit Title</u>	<u>2013/14</u>	<u>Position as at</u> <u>end February</u> <u>2014</u>	<u>Opinion</u>
		Days		
	Contingency	105	To date this has been used to supplement the consultancy budget	
Total - Ad Hoc Consultancy etc.		250		
TOTAL CHARGEABLE DAYS REQUIRED		1260		

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SPECIAL INVESTIGATIONS ARISING AND COMPLETED SINCE LAST COMMITTEE				
	Directorate/Area	Potential financial value/risk	Brief Details of Case	Outcome
1.	Improvement and Corporate Services	Low	Concerns were raised by a whistle blower that a member of staff was working for another organisation whilst in the employment of the Council.	The investigation was inconclusive due to the limited evidence available; however, the employee has left the Council.
2.	Improvement and Corporate Services	Low	Concerns were raised about the contract award process by an unsuccessful bidder for a Council Contract.	Council procurement procedures were found to have been followed, although some areas for improvement were identified. None of the issues identified are likely to have affected the award of the contract.
3.	Children's Services	Low	Concerns were raised about an apparent shortfall in income for an After School Club.	Internal Audit confirmed a shortfall of at least £2,600. A member of staff resigned during the investigation.

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Meeting: Audit Committee
Date: 31 March 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 March 2014.

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

CORPORATE IMPLICATIONS

Council Priorities:

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

Financial:

1. None directly from this report.

Legal:

2. There are no direct legal implications.

Risk Management:

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

Staffing (including Trades Unions):

4. There are no direct staffing issues.

Equalities/Human Rights:

5. None directly from this report.

Public Health:

6. None directly from this report.

Community Safety:

7. None directly from this report.

Sustainability:

8. None directly from this report.

Procurement:

9. None directly from this report.

RECOMMENDATION:

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

Background

10. The 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 March 2014.

Strategic Risks

12. The March risk report is contained at Appendix A. The report contains 11 strategic risks.
13. There are 10 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.
14. The risks have been reconsidered and the key revisions are set out below.
15. (STR0001), relating to the risks associated with significant reduction or redirection of funding has been updated to acknowledge the risks associated with the transfer of approximately £15.3 million into a pooled fund from health and social care in April 2016 to fund Central Bedfordshire's Better Care Plan. There has been no change to the residual risk score.

16. The Growth strategic risk (STR0003) has been reviewed and updated to reflect the current situation regarding the Development Strategy. Mitigating actions and further planned actions have been updated. There has been no change to the residual risk score.
17. The Waste risk (STR0005) has been reconsidered in the light of the current work on developing and delivering a plan for future waste disposal for Central Bedfordshire. As a result, it is no longer considered to be a strategic risk.
18. The Health and Safety risk (STR0006) has been reviewed. The descriptions, consequences and mitigating actions have been refreshed to reflect more emphasis on building related Health and Safety issues. The residual impact score has increased from 4 to 5, resulting in an overall residual risk score of 15 (was previously 12).
19. The risk of failure or disruption to key parts of the Council's ICT systems (STR0008) has been reviewed to reflect that the duration of any failure is a key issue in the impact of this risk. There has been a slight reduction in the residual risk score.
20. The mitigating actions for the Partnership risk (STR0009) have been updated to reflect that a review of the partnerships operating model is currently being undertaken to ensure that it remains fit for purpose. There has been no change to the residual risk score.
21. The residual impact risk score for STR0010 – Protecting Children – has been revised from 4 to 5, resulting in an overall residual risk score of 15 (increased from 12). The score has been increased slightly due the fact that whilst actions are in place there is a national 'crisis' around social workers. The Council has a recruitment campaign in place but there is high staff turnover. The Council recognises that this issue is not specific to children. The human resource need is a risk, as there is a large percentage of agency staff, some of whom have been with the Council for considerable time, but these impact on financial resources as agency staff are more costly.
22. The Information Management Strategic risk (STR0013) has been reviewed and reworded to recognise the risk of data protection breaches. There has been no change to the residual risk score.
23. The Localism risk (STR0015) has been reviewed and removed from the register, as it is no longer considered to be a strategic risk.
24. The Procurement risk (STR0022) has been reviewed and updated to reflect the risk of failure to adhere to procurement rules. There has been no change to the residual risk score.
25. The risk associated with the relocation of the Contact Centre from Bedford to Dunstable (STR0023) has been reviewed in the light of the commencement of a phased move to Dunstable, and other mitigating actions taken. As a result, it is no longer considered to be a strategic risk.

26. The top scoring operational risk for some time has related to the Assets Disposal programme. The failure to achieve capital receipts is now considered to be a strategic risk and has been added to the register. The main risk is seen to be from 2016/17 onwards, unless mitigating action is taken before then.
27. The future arrangements for the management of the council's residential care homes for older people have also been identified as a strategic risk. This risk will be further developed and included in future update reports to the Committee.
28. Work is planned to review both the strategic and operational risks for the SCHH directorate 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.
29. There are no revisions to the remaining strategic risks.
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.
31. The Council's Risk Management Strategy has been reviewed. No required changes were identified.

Operational Risks:

32. 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.
33. The dashboard has listed the 7 operational risks with a risk score of 15 or above.
34. Work is also progressing with Public Health colleagues to bring their risk reporting into line with CBC.

Conclusion and Next Steps

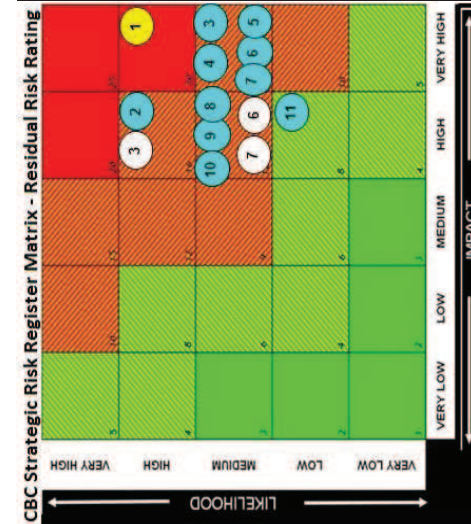
35. Internal Audit and Risk will continue to coordinate and update the Strategic Risk register and an update will be presented to the September Audit Committee.

Appendices:

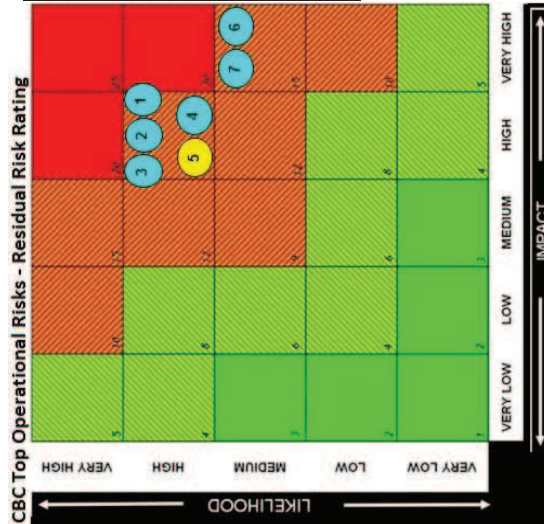
Appendix A – March 2014 Risk Summary Dashboard

Background Papers: (open to public inspection)

None



Key
 New Risk
 Current Position
 Previous Position



#	Reference	Nature of Risk	2012/13					2013/14							
			June	Aug	Nov	Mar	Dec	June	Aug	Nov	Mar	Dec			
1	STR0024	Assets Disposal Programme - Failure to achieve capital receipts.													20
2	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.	12	12	12	16	16	16	16						16
3	STR0008	Failure or disruption to key elements of core infrastructure (data centre, environment and networks) leading to no functionality for more than 24 hours.													15
4	STR0019	Failure to deliver effective and cohesive Health and Social Care to local residents.	15	15	15	15	15	15	15	15	15	15	15	15	15
5	STR0013	Information Management: a lack of consistent information management and data accuracy across the organisation leading to non compliance with the Data Protection Act and a breach of information security.	12	12	12	12	12	12	12	12	12	12	12	12	15
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.	12	12	12	12	12	12	12	12	12	12	12	12	15
7	STR0010	Failure to respond to increasing cases and implement child protection procedures due to insufficient resources and professional/ skilled workforce.	9	9	9	12	12	12	12	12	12	12	12	12	15
8	STR0020	Failure to improve adult protection safeguarding practices.								12	12	12	12	12	12
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.	12	12	12	12	10	10	12	12	12	12	12	12	12
10	STR0022	Failure to adhere to Procurement Rules.													12
11	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.	6	6	6	6	6	6	6	6	6	6	6	6	6

Overview of Risk Position - March 2014

The risk with the highest residual score is: STR0024 - Assets Disposal Programme

The following risks have been rescored: STR0006 - Health and Safety STR0008 - ICT Failure STR0010 - Protecting Children

The following risks have been removed: STR0022- Failing to act on the Waste Agenda STR0015 - Localism STR0023 - Service management risks associated with the relocation of the contact centre

The following risk has been added: STR0024 - Asset Disposal Programme

Revisions to the descriptions or mitigating actions have been made to the following risks: STR0001 - Significant reduction or redirection of funding STR0003 - Growth STR0009 - Partnerships STR0022 - Procurement

The matrix also highlights the most noteworthy operational risks facing CBC.

#	Reference	Nature of Risk	2012/13					2013/14							
			June	Aug	Nov	Mar	Dec	June	Aug	Nov	Mar	Dec			
1	SCH0004	Insufficient staff resources resulting in under or mis-direction of investment in the transformation of adult social care services.													16
2	SCH0007	Partnerships: failure to establish a common vision with health and the delivery of joint commissioning strategies.	16	16	16	16	16	16	16	16	16	16	16	16	16
3	SCH0008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda.	16	16	16	16	16	16	16	16	16	16	16	16	16
4	SCH0005	Failure to develop a social care market to deliver positive outcomes and choices for people.	16	16	16	16	16	16	16	16	16	16	16	16	16
5	CHS0005	Failure to retain and recruit staff within the area of Children's Services.													16
6	RES0018	Failure to meet legal requirements: Ability to respond to changes in legislation affecting finances i.e. NNDR, CT, Public Health.	15	15	15	15	15	15	15	15	15	15	15	15	15
7	LEG0001	Failure to provide effective legal support in respect of vulnerable children owing to lack of specialist staff.													15

Assessing Impact	Impact Scale	Example Description
5	Catastrophic	Total system dysfunction, total shutdown of operations, financial loss over £5m. Key person resignation/removal, sustained adverse publicity in national media, liability or reputational damage.
4	Severe	Airport closure, significant loss of revenue, other locations may be affected, financial loss up to £5m, sustained adverse publicity in national media, greater than 6 months absence for more than 5 people (single event).
3	Major	Disruption to a number of operational areas within a location, absence for more than 5 people (single event), £1m significant adverse publicity national media, greater than 20 days absence for more than 5 people (single event).
2	Reasonable	Some disruption manageable by altered operational routine, financial loss up to £250k, significant adverse publicity in local media, greater than 7 days absence for more than 3 people (single event).
1	Low	Minor interruption to service, financial loss up to £100k, Minor adverse publicity in local media, short term absence for up to 5 people (single event).

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

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Meeting: Audit Committee
Date: 31 March 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.

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

CORPORATE IMPLICATIONS

Council Priorities:

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

Financial:

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

Legal:

2. None arising directly from the report.

Risk Management:

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

Staffing (including Trades Unions):

4. None directly from this report.

Equalities/Human Rights:

5. None directly from this report.

Public Health:

6. None directly from this report.

Community Safety:

7. None directly from this report.

Sustainability:

8. None directly from this report.

Procurement:

9. None directly from this report.

RECOMMENDATION:

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

Background

10. One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment.
11. To further strengthen the Audit Committee's role in monitoring the internal control environment within the Council, Internal Audit has developed a system for monitoring and reporting progress against high 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.
15. Only one high priority made during 2012/13 remains outstanding. This relates to payroll reconciliations. This will be addressed as part of the Council's 2013/14 year end statement of accounts processes. Further details are provided at Appendix B.

16. Twelve reports containing high priority recommendations have been issued since April 2013. These are detailed in Appendix C. 19 high priority recommendations have been made. Appendix D provides the details of the 3 recommendations that are running behind planned completion dates.
17. 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.
18. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the managed audit reviews.

Future Monitoring

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

Conclusion

20. In total there are currently 5 high priority recommendations that are amber (underway, with deadline missed).
21. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.
22. This continuous tracking and reporting of progress on Internal Audit inspections to the Audit Committee 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 IT DR Managed Audit (IT Disaster Recovery Audit) Recommendation

Appendix B - Details of Outstanding High Priority Internal Audit recommendation - Reports issued during 2012/13

Appendix C - Summary of recommendations made since April 2013 that remain outstanding

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

Background Papers:

None

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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>	<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>Complete</p>
<ul style="list-style-type: none"> • the identification and prioritisation of key IT systems 	<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>Once Service area/Directorates have agreed and approved BCP's</p>

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
	<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>Update since January Committee Meeting held with Emergency Planning. Emergency Planning are working on this and are actively developing process and templates. IA have helped with this activity by providing a BIA template, and will be helping with further templates including the BCP.</p> <p>Completion of this recommendation is reliant on Service area/Directorates.</p>	
<ul style="list-style-type: none"> the roles and responsibilities of relevant officers and third party suppliers 	<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>Update since January Committee Information Assets Management Team (IAMT) is working on this as part of the DR procedures, once the list complete it will be reviewed with Emergency Planning.</p>	<p>March 2014</p>
<ul style="list-style-type: none"> a set of IT procedures which should be executed initially to react to crises/disaster 	<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>Update since January Committee</p>	<p>March 2014</p>

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
	A Decision tree has been developed for IA and agreed by IAMT, detailed operational procedures are being finalised and will be signed off by IAMT at end of March.	
<ul style="list-style-type: none"> escalation procedures 	<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>Update since January Committee The escalation procedure is part of the wider DR procedures, 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>March 2014</p> <p>Once Service areas/Directorates will have agreed and approved Directorate BCP's</p>
<ul style="list-style-type: none"> salvage procedures that deal with retrieval of items from affected sites 	<p>Salvage process and procedures to be devised, working in partnership with ONI the co-location service provider, and included within DRP.</p> <p>The proposed procedure will be developed and included in the DRP.</p> <p>Update since January Committee The Salvage processes are currently being devised and will be presented to IAMT at the end of March.</p>	<p>March 2014</p>
<ul style="list-style-type: none"> the recovery and reconfiguration of all IT and communication systems 	<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.</p>	<p>Once Service areas/Directorates have agreed and approved BCP's</p>

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
	<p>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>Update since January Committee RTO's have been included as a section within the BIA's, the Service Area's need to complete these in order for IA to include in it's DRP.</p> <p>Completion of this recommendation is reliant on Service areas/Directorates.</p>	
<ul style="list-style-type: none"> details of additional accounts where monies may be sourced to aid recovery efforts 	<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>Update since January Committee Emergency Planning have confirmed that there is no funding for DR, and should DR be invoked the funds will be found corporately. Need to confirm this with the CFO.</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"> a schedule in respect of the testing of the plan 	<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 has been undertaken.</p> <p>Update since January Committee Detailed test plan is being produced and will be signed of by IAMT at the end of March.</p>	<p>March 2014</p> <p>March 2014</p> <p>Complete</p>

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
	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.	

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Appendix B

Details on the recommendation outstanding
Status – all Amber (Ongoing with deadline missed)

Payroll

<p>Recommendation R1:</p> <p>The following action should be taken:</p> <ul style="list-style-type: none">• 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.
<p>Rationale for Recommendation:</p> <p>The resolution of these issues would provide assurance on the validity and accuracy of the current balances.</p>
<p>Target Dates:</p> <p>March 2013 (revised) April 2014</p>
<p>Current Position and Explanation for Slippage:</p> <p>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.</p>

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Details of Monitoring of High Risk Internal Audit recommendations as at End February 2014 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 4 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	
Council Tax Phase 1 2013-14	12/02/2014	31/03/2014	1	0	1	0	0	0	
Main Accounting System Phase 1 2013-14	06/02/2014	31/03/2014	1	0	1	0	0	0	
Total			4	2	2	0	0	0	

SOCIAL CARE, HEALTH & HOUSING

Name	Date of Report	Original Expected completion of all Recommendations (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App 4 ref
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	Rec 1
Biggleswade OPPD Day Centre 12-13	24/10/2013	31/01/2014	2	2	0	0	0	0	
Housing Rents Phase 1 13-14	07/02/2014	31/03/2014	1	1	0	0	0	0	
Leighton Buzzard OPPD Day Centre 12-13	24/10/2013	31/07/2014	1	1	0	0	0	0	
Total			9	8	0	1	0	0	

**Details of Monitoring of High Risk Internal Audit recommendations as at End February 2014
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	
Payroll Phase 1 13-14	20/02/2014	30/04/2014	1	0	1	0	0	0	
VfM Review of External Legal Services	11/02/2014	31/05/2014	3	1	0	2	0	0	Rec 2-3
Total			6	2	2	2	0	0	

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

Social Care, Health & Housing

Domiciliary Care Units

<p>Recommendation R1:</p> <ol style="list-style-type: none"> 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.
<p>Rationale for Recommendation:</p> <p>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.</p>
<p>Target Dates:</p> <p>31st October 2013 (revised) 31st March 2014</p>
<p>Current Position and Explanation for Slippage:</p> <p>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.</p>

Improvement & Corporate Services

Value for Money Review of External Legal Services

<p>Recommendation R2:</p> <p>The Service Level Agreements between Legal Services and each Directorate should be updated to reflect the current Directorate structure, revised to reflect the specific requirements of the corporate approach to external procurement of legal services and a 'business partner' approach, and then formally agreed with each Directorate.</p>
<p>Rationale for Recommendation:</p> <p>The SLAs between Legal Services and service areas are a mechanism for formalising the support required from Legal Services by service areas; the SLA previously drafted is comprehensive in respect of the service level to be delivered, but is out of date in respect of the Directorate structure and the SLAs do not expressly state the expectation that the procurement of all legal services should be through Legal Services.</p>
<p>Target Dates:</p> <p>End March 2014 (revised) End August 2014</p>

Current Position and Explanation for Slippage:

It has been decided that a new approach is needed; the SLAs are no longer considered to be the most efficient way of achieving this aim, therefore a different mechanism will be identified through discussions between the Chief Legal and Democratic Services Officer and Directors.

Recommendation R3:

The extent to which internal Legal Services revenue expenditure can be capitalised against assets should be reviewed and maximised in line with accounting best practice.

Rationale for Recommendation:

Capitalisation of external legal costs (in line with accounting best practice) has been undertaken as appropriate but this has not been considered methodically for internal legal costs. This could help to alleviate budget pressures and better reflect the matching of expenditure to its anticipated benefits.

Target Dates:

End January 2014 (revised)
End August 2014

Current Position and Explanation for Slippage:

The Chief Finance Officer has agreed with the Chief Legal & Democratic Services Officer's (CLDSO) approach to maximise capitalisation of internal legal costs on capital projects. The CLDSO has briefed her senior team and given instructions during team meetings in respect of capitalising internal legal costs. Further work is needed on clear guidelines for client project managers and lead lawyers to ensure that the internal legal costs are included in the project specifications for capitalisation to occur in a systematic way and to promote this practice as appropriate in the future.

Meeting: Audit Committee

Date: 31 March 2014

Subject: Audit Committee - Work Programme for 2014/15

Report of: Chief Legal and Democratic Services Officer

Summary: This report sets out the proposed work programme for the Audit Committee for 2014/15.

Advising Officer: Mel Peaston, Committee Services Manager

Contact Officer: Leslie Manning, Committee Services Officer

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

The activities of the Audit Committee are crucial to the governance arrangements of the organisation.

Financial:

1. Not Applicable.

Legal:

2. Not Applicable.

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.

RECOMMENDATION:

The Committee is asked to agree its proposed work programme as attached at Appendix A to this report.

Background

10. To assist the Audit Committee in discharging its responsibilities during the 2014/15 Municipal Year a proposed work programme has been drawn up.
11. The work programme is attached at Appendix A to this report and contains the known agenda items that the Committee will need to consider during the year.
12. Additional items will be identified as the Municipal Year progresses and the work programme is therefore subject to change.

Appendices:

Appendix A - Audit Committee Work Programme.

Background Papers:

None

Location of papers:

N/A

Audit Committee Work Programme

2014/15 Municipal Year	
30 June 2014	<ul style="list-style-type: none"> • Statement of Accounts 2013/14 (presentation) (NV/RG) • Audit and Certification Fees 2014/15 (MW) • External Audit Progress Report (MW) • Annual Governance Statement 2013/14 (MC) • Pension Fund Update (RG) • Internal Audit Annual Audit Opinion (KR) • Work Programme (LM)
22 September 2014	<ul style="list-style-type: none"> • Statement of Accounts 2013/14 (CW) • Audit Results Report 2013/14 (MW) • External Audit Progress Report (MW) • Pension Fund Update (RG) • Risk Update Report (KR) • Tracking of Audit Recommendations (KR) • Internal Audit Progress Report (KR) • Work Programme (LM)
12 January 2015	<ul style="list-style-type: none"> • Certification of Claims and Returns Annual Report 2013/14 (MW) • Annual Audit Letter 2013/14 (MW) • External Audit Progress Report (MW) • Pension Fund Update (RG) • Final Accounts Process 2014/15 (NV) • Risk Update Report (KR) • Tracking of Audit Recommendations (KR) • Internal Audit Progress Report (KR) • Work Programme (LM)
30 March 2015	<ul style="list-style-type: none"> • Audit Plan 2014/15 (MW) • External Audit Progress Report (MW) • Pension Fund Update (RG) • Risk Update Report (KR) • Tracking of Audit Recommendations (KR) • Internal Audit Progress Report (KR) • 2015/16 Internal Audit Plan (KR) • Work Programme (LM)

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