

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

**This meeting
may be filmed.***



**Central
Bedfordshire**

please ask for Leslie Manning
direct line 0300 300 5132
date 23 December 2014

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Monday, 12 January 2015 10.00 a.m.

Venue at

Room 15, Priory House, Chicksands, 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,
K M Collins, N B Costin, D J Lawrence and A Zerny

[Named Substitutes:

Mrs J G Lawrence, A Shadbolt, N J Sheppard and I Shingler]

All other Members of the Council - on request

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

***Please note that phones and other equipment may be used to film, audio record, tweet or blog from this meeting. No part of the meeting room is exempt from public filming.**

The use of arising images or recordings is not under the Council's control.

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 22 September 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.	Certification of Claims and Returns Annual Report 2013-14 To receive the annual certification report from Ernst & Young LLP which summarises the results of certification work at Central Bedfordshire Council on 2013-14 claims and returns.	* 13 - 26
8.	Annual Audit Letter To consider the Annual Audit Letter 2013/14 from Ernst & Young LLP which sets out the key issues arising from the external auditor's work.	* 27 - 38

9. **2013/14 Audit Scale Fee - Late Variation** * 39 - 42
- To consider a letter from Ernst & Young LLP which sets out the revised final scale fee in respect of the 2013/14 audit.
10. **External Audit Progress Report** * 43 - 62
- 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 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.
11. **Final Accounts Process 2014/15** * 63 - 68
- To consider a summary of key changes in the Statement of Accounts for 2014/15 and internal procedures for producing the Statement of Accounts.
12. **Local Government Pension Scheme Update** * 69 - 76
- To consider an update on recent developments in respect of the Local Government Pension Scheme.
13. **Internal Audit Progress Report** * 77 - 88
- To consider an update on the progress of work by Internal Audit for 2014/15.
14. **Risk Update Report** * 89 - 94
- To consider an overview of the Council's risk position as at December 2014.
15. **Tracking of Internal Audit Recommendations** * 95 - 112
- To consider a summary of high priority recommendations arising from the Internal Audit reports together with the progress made in their implementation.
16. **Work Programme** * 113 - 116
- To consider the Committee's work programme.

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Monday, 22 September 2014

PRESENT

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

Cllrs R D Berry
K M Collins

Cllrs D J Lawrence
A Zerny

Apologies for Absence: Cllrs N B Costin

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

Officers in Attendance: Mr R Gould Head of Financial Control
Mr L Manning Committee Services Officer
Ms K Riches Head of Internal Audit and Risk
Mr C Warboys Chief Finance Officer

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

A/14/13. **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 30 June 2014 be confirmed and signed by the Chairman as a correct record.

A/14/14. **Members' Interests**

None.

A/14/15. **Chairman's Announcements and Communications**

None.

A/14/16. **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/14/17. 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/14/18. 2013/14 Statement of Accounts/Audit Results Report 2013/14

The Committee considered a report by the Chief Finance Officer which presented the 2013/14 Statement of Accounts for approval. An amended copy of the annual accounts (Appendix A to the report) was circulated at the meeting. The amended version reflected an increased provision in respect of the backdating of business rates appeals.

Members were aware that auditing standards required an authority's external auditor to obtain appropriate written representation from the council about the financial statements and governance arrangements. The Committee was also asked, therefore, to approve a draft letter of representation to its external auditor, Ernst & Young LLP. An amended copy of the draft letter of representation (Appendix B to the report), in which typographical errors had been corrected, was also circulated at the meeting.

Copies of both amended Appendices can be viewed through the following link:

<http://www.centralbedfordshire.gov.uk/modgov/documents/b6399/Amended%20Documents%20Circulated%20at%20Meeting%20Item%207%20Monday%202-Sep-2014%2014.30%20AUDIT%20COMMITTEE.pdf?T=9>

Members were reminded that, as required by the 2011 Regulations, the Chief Finance Officer had certified the unaudited 2013/14 annual accounts in June. A presentation on the annual accounts had been made to the Audit Committee and other Members at its last meeting on 30 June 2014 (minute A/14/6 refers) followed by a period of public inspection which had closed on 1 August. The annual accounts had also been subject to an external audit validation by Ernst & Young and the resulting Audit Results Report, which formed item 8 on the agenda, was considered in conjunction with the Chief Finance Officer's report.

The Committee then turned to consider the Audit Results Report from Ernst & Young. The report summarised the findings from the substantially completed 2013/14 audit.

The Ernst & Young Director worked through the Audit Results Report highlighting various matters of note. The Committee was aware that the Report outlined non-trivial adjustments to the original version of the accounts. However, whilst the Chief Finance Officer's own report had stated that, at the time of writing, no such adjustments had been identified the Audit Results Report had identified that the calculation of the provision for unsettled appeals by business ratepayers was calculated for the current year only and did not include provision for any successful backdated appeals. As a result the business rates appeals provision of £1.3 m was understated. Discussion

followed during which Members expressed their dissatisfaction with these arrangements which arose as a result of central government requirements.

Whilst further considering the Audit Results Report a Member raised a number of queries regarding the use of a particular contractor. He commented on the absence of any reference in the Report to the concerns which had previously been expressed on this matter and the lack of action in response. In reply the Ernst & Young Director stated that he was satisfied both that the Council had learned from the experience and with the related investigation and outcomes.

In conclusion the Chief Finance Officer suggested that the signing off of the Statement of Accounts should be deferred until Ernst & Young had issued an unqualified audit opinion on the Statement of Accounts and had formally confirmed that there were no material changes.

RESOLVED

- 1 **that authority be delegated to the Chairman of the Audit Committee to approve the amended 2013/14 Statement of Accounts for Central Bedfordshire Council, as set out at Appendix A to the report of the Chief Finance Officer, subject to there being no material changes;**
- 2 **that the amended draft Letter of Representation, as set out at Appendix B to the report of the Chief Finance Officer, be approved for submission to the Council's external auditor, Ernst & Young LLP, and that the Chairman of the Audit Committee and the Chief Finance Officer be authorised to sign it;**

NOTED

the Audit Results Report from Ernst & Young LLP setting out the results of its 2013/14 audit.

A/14/19.

EY Local Government Audit Committee Briefing

The Committee received a briefing paper for June 2014 which covered issues which might have an impact on the Council, the local government sector and the audits undertaken by Ernst & Young LLP. The document was introduced by the Ernst and Young Manager.

The meeting noted the article within the paper on the formation of the Single Fraud Investigation Service (SFIS) within the Department of Work and Pensions. This issue was also covered at agenda item 10 by the Chief Finance Officer (minute A/14/20 refers).

NOTED

the Local Government Audit Committee briefing paper from Ernst and Young LLP.

A/14/20.

Review of Approach to Counter Fraud Activity Following Implementation of the Single Fraud Investigation Service

The Committee considered a report by the Chief Finance Officer which updated Members on the recent review of the approach to counter fraud activity across the Council. The following fraud related issues were covered:

- Introduction of Single Fraud Investigation Service
- Review of Current Arrangements
- Benchmarking – The Local Picture and the National Picture
- “Fighting Fraud Locally”
- Draft CIPFA Code of Practice on Managing the Risk of Fraud and Corruption
- Education Funding Agency Assurance for Schools
- Establishment of a Corporate Fraud Team

The Chief Finance Officer explained how, as a part of Welfare Reform, the Department of Work and Pensions (DWP) was creating a Single Fraud Investigation Service (SFIS) which would bring together council, DWP and Her Majesty’s Revenue and Customs (HMRC) investigation services to investigate all social security benefit fraud. To this end it was proposed that two of the Council’s benefit staff would be transferred to the DWP in May 2015 and become SFIS employees. However, whilst the investigation of Housing Benefit fraud cases would transfer the amendment of Housing Benefit, dealing with error, verification and the calculation and recovery of overpayments would remain within councils until Housing Benefit was replaced by Universal Credit.

Members noted that whilst the transfer of staff, and the loss of government grant funding relating to combatting Housing Benefit fraud, was anticipated the SFIS would not assume responsibility for investigating non-benefit or local taxation fraud such as Council Tax Single Person’s discount or Tenancy Fraud. As such the introduction of the SFIS had provided an opportunity to review the current arrangements for counter fraud activity within the Council and assess the risks of fraud.

Arising from this the Committee noted that senior management had agreed to establish a Corporate Fraud Team to support the Council in delivering a counter fraud service. The team would be staffed by the four remaining Benefit Fraud Team and continue to report to the Head of Revenues and Benefits.

With regard to the local benchmarking of fraud detection performance the Chief Finance Officer drew Members’ attention to the summary (attached at Appendix A to the report) which showed Central Bedfordshire Council as having less detected fraud in each reported category in comparison with other Midlands and East of England metropolitan districts and unitary authorities. He suggested that this could be as a result of there being less fraud within Central Bedfordshire than elsewhere or because of differences in reporting procedures between councils. In response to a query he explained that a focused review of Council Tax discount fraud was undertaken every two years, rather than annually, because it was so resource intensive. The Chairman drew the meeting’s attention to the Council’s bid to the Department for Communities and

Local Government for funding to enable targeted investigation of Council Tax discount fraud and Council Housing fraud.

A Member sought clarification on the data contained in the summary (attached at Appendix B to the report) relating to the national outcome of the fraud and corruption survey, as reported by the Audit Commission in its publication "Protecting the Public Purse 2013". In response, and following consideration, the Chief Finance Officer undertook to seek an explanation from the Audit Commission and advise the Member.

RESOLVED

that the approach set out within the Chief Finance Officer's report to the following be endorsed:

- a) the establishment of a Corporate Fraud Team;**
- b) the development of an annual counter fraud work programme through closer working between the Corporate Fraud Team and Internal Audit;**
- c) the production of an annual report on counter fraud activity for presentation to the Audit Committee.**

A/14/21.

Internal Audit Progress Report

The Committee considered a report by the Chief Finance Officer outlining the progress made against the 2014/15 Internal Audit Plan up to the end of August 2014. The Head of Internal Audit and Risk then introduced the following matters from the report for consideration:

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

Discussion followed during which a Member sought further information on the special investigation being undertaken. In response the Head of Internal Audit and Risk explained that, because the investigation was still in progress, she was unable to comment further.

Further discussion followed during which a Member raised various issues relating to the continued operation of a particular contract. In response the Chief Finance Officer clarified the current status of the contract and the reasons why no action had been taken to end it. Another Member emphasised that any fault in this matter lay with the Council's own procedures and not in the actions of the other party.

NOTED

the progress made against the 2014/15 Internal Audit Plan.

A/14/22. **Risk Update Report**

The Committee considered a report by the Chief Finance Officer which provided an overview of the Council's risk position as at August 2014.

The report was introduced by the Head of Internal Audit and Risk who worked through the report and the accompanying Risk Summary Dashboard, Members noting the strategic, operational and emerging risks. In particular the meeting was aware of a new strategic risk concerning Deprivation of Liberty Standards which related to the possible failure to ensure vulnerable people did not have their liberty inappropriately denied.

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/14/23. **Tracking of Audit Recommendations**

The Committee considered a report by the Chief Finance Officer which summarised the high priority recommendations arising from Internal Audit reports. The report also outlined the progress made in implementing them.

NOTED

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

A/14/24. **Work Programme**

Members considered a report by the Chief Legal and Democratic Services Officer which set out the proposed Work Programme for the Committee for the remainder of the 2014/15 municipal year and the beginning of 2015/16.

RESOLVED

that the proposed Audit Committee Work Programme for the remainder of 2014/15 and the beginning of 2015/16, as attached at Appendix A of the report of the Chief Legal and Democratic Services Officer, be approved.

(Note: The meeting commenced at 2.30 p.m. and concluded at 3.56 p.m.)

Chairman

Dated

This page is intentionally left blank

Central Bedfordshire Council

AUDIT COMMITTEE

12 January 2015

**CERTIFICATION OF CLAIMS AND RETURNS ANNUAL
REPORT 2013-14**

Report of Ernst & Young LLP

Mick West, Director (m.west@uk.ey.com)

Purpose of this report

The purpose of the report is to present a summary of the results of the certification work at Central Bedfordshire Council on the 2013-14 claims and returns.

This page is intentionally left blank

Central Bedfordshire Council

Certification of claims and returns annual report 2013-14

December 2014

Ernst & Young LLP





Ernst & Young LLP
1 More London Place
London
SE1 2AF

Tel: +44 20 7951 2000
Fax: +44 20 7951 1345
ey.com



INVESTOR IN PEOPLE

Private and confidential

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

12 December 2014

Ref:

Direct line: +44 20 7951 2000

Email: m.west@uk.ey.com

**Certification of claims and returns annual report 2013-14
Central Bedfordshire Council**

We are pleased to report on our certification work. This report summarises the results of our work on Central Bedfordshire Council's 2013-14 claims and returns.

Scope of work

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

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

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

In 2013-14, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

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

Statement of responsibilities

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

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

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

Summary

Section 1 of this report outlines the results of our 2013-14 certification work and highlights the significant issues.

We checked and certified one claim and one return with a total value of £65m. We met all submission deadlines. We issued a qualification letter for the Housing benefit and council tax subsidy claim. Details of the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had only a minimal impact on the grant due.

Last year we recommended that the Council should continue to prioritise staff training and quality control in the Revenues and Benefits team and evidence that the quality control arrangements in place are working effectively and reducing the number of errors made. There has been further staff training to reduce the number of processing errors. While quality control measures are in place no documented record is kept of the cases checked. We have recommended that a record is kept of the quality control checks that have been carried out noting the cases reviewed and any errors found

Fees for certification work are summarised in section 2. The indicative fees for 2013-14 are based on final 2011-12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme.

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

Yours faithfully

Mick West
Director
Ernst & Young LLP
Enc

Contents

1. Summary of 2013-14 certification work	1
2. 2013-14 certification fees.....	4
3. Looking forward.....	5
4. Summary of recommendations.....	6

1. Summary of 2013-14 certification work

We certified one claim and one return in 2013-14. The main findings from our certification work are provided below.

Housing and council tax benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£62,559,694
Limited or full review	Full
Amended	Amended – Subsidy reduced by £3,704.
Qualification letter	Yes
Fee – 2012-13	£36,375
Fee – 2013-14	£40,880
Recommendations from 2012-13:	Findings in 2013-14
Continue to prioritise staff training and quality control in the Revenues and Benefits team; Evidence that the quality control arrangements in place are working effectively and reducing the number of errors made ;	The Council has continued to prioritise staff training and quality control in the Revenues and Benefits team in order to reduce the number of errors in processing benefits claims. Quality control measures in place include checking, on a weekly basis, a random sample of a minimum of 4% of all claims processed. This increases to 100% of all claims processed for new members of staff. In addition, the Service and Performance Manager and Service Improvement Officer carry out additional checks on known problem areas such as Non-HRA claims, modified scheme claims, overpayment allocation and vulnerability classification.

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

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

Due to the number of errors found in previous years a large volume of additional testing continues to be required. In addition to our initial testing of the three headline cells; 9 cases in rent rebates (non HRA) and 20 cases in rent rebates (HRA) and rent allowances , your officers carried out extended testing for each cell where errors were found last year and where errors have been found in this year’s initial testing. Extended testing was completed on 10 cells.

We are required to report the nature of the errors found and extrapolate the value across the cell population. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. Where our testing enabled us to quantify the error, without extrapolation, the Council amended the claim. These amendments reduced the subsidy payable to the Council by £3,704. The net impact of the extrapolated errors reported and the amendments agreed is a potential loss of subsidy of £50,514.

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

Underpaid benefit and overpaid benefit as a result of errors in income assessment.	Testing identified both underpaid and overpaid benefit for a number of claimants, mainly as a result of incorrectly calculating claimant income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified did not affect subsidy and were not classified as errors for subsidy purposes. The overpayment errors have been extrapolated across the relevant cell totals and reported to the DWP.
--	--

Misclassification of overpayments	<p>The level of subsidy for overpayments is determined by the classification of the overpayment. The misclassification errors found resulted in both overstatements and understatements of subsidy claimed.</p> <p>Misclassification errors have resulted in the larger extrapolations that impact on subsidy claimed.</p>
-----------------------------------	--

These issues were similar to the issues reported in 2012-13 and extended across the full range of benefit types.

Following errors reported in our qualification letter on the Housing Benefit and Council Tax Benefit subsidy claim for 2011-12 the Authority carried out additional testing on cell 102. The results of this testing were reported in our further qualification letter of 8 May 2013. The errors reported were where the premium for children aged under one (which ended with effect from 1 April 2011) had been incorrectly applied or where student income has been assessed incorrectly. The Department required an assurance from the auditor in the 2013-14 certification work that the relevant amendments had been made and the issue was now resolved. We reviewed the work carried out by the Authority and were able to confirm that the amendments had been made in 2013-14. Our testing in 2012-13 and 2013-14 has not identified any further cases with these types of error in cell 102.

The Council has continued to prioritise staff training and quality control in the Revenues and Benefits team in order to reduce the number of errors in processing benefits claims. Quality control measures in place include checking, on a weekly basis, a random sample of a minimum of 4% of all claims processed. This increases to 100% of all claims processed for new members of staff. The results of the weekly accuracy checks are reported as part of the Customer Accounts Dashboard which is reported to the Head of Service and Chief Finance Officer. The target that has been set for benefit assessment accuracy is 95%. This was not achieved in 2013-14, although performance did improve steadily during the year and 94% was achieved in April 2014. Performance has fallen in 2014-15 with accuracy at 87% for October 2014.

In addition, the Service and Performance Manager and Service Improvement Officer carry out additional checks on known problem areas such as Non-HRA claims, modified scheme claims, overpayment allocation and vulnerability classification.

The Council need to continue to prioritise staff training and quality control in the Revenues and Benefits team to ensure that the target set by the Council for benefit assessment accuracy is met and reduce the level of testing required to certify this claim.

Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£ 2,326,767.10
Limited or full review	Limited
Amended	No
Qualification letter	No
Fee – 2012-13	£901
Fee – 2011-12	£583
Recommendations from 2012-13:	Findings in 2013-14
None	Not applicable

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

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

2. 2013-14 certification fees

From 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fees for 2013-14 are based on final 2011-12 certification fees, reflecting the amount of work required by the auditor to certify the relevant claims and returns in that year. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The initial indicative fee for 2013-14, set by the Audit Commission and reported in last year's Certification of claims and returns annual report, was £52,100. This indicative fee has since been reduced to take account of claims and returns that no longer continue to be certified under the Audit commission's arrangements (NNDR 3 and Teachers Pensions) and for council tax benefits dropping out of the benefits subsidy claim. The revised indicative fee for Central Bedfordshire Council for 2013-14 was £ 41,463. The actual fee for 2013-14 was £41,463. This compares to a charge of £45,350 in 2012-13.

Claim or return ¹	2012-13	2013-14	2013-14
	Actual fee £	Scale fee £	Actual fee £
Housing and council tax benefits subsidy claim	36,375	40,880	40,880
Teachers Pensions	4,350	-	-
National non-domestic rates return	3,575	-	-
Pooling of housing capital receipts	1,050	583	583
Other claims	-	-	-
Total	45,350	41,463	41,463

The base year fee for benefits (2011-12) included an additional fee of £9,400 for the follow up of queries raised by the DWP on the 2010-11 benefits claim. As similar work was not required in 2013-14 we are seeking a downward fee variation in the scale fee of £5,000.

3. Looking forward

For 2014-15, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2012-13, adjusted for any schemes that no longer require certification.

The Council's indicative certification fee for 2014-15 is £33,210. The actual certification fee for 2014-15 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2012-13 on individual claims or returns.

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2012-13 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those Teachers' Pensions introduced for the Teachers' Pensions return for 2013-14.

4. Summary of recommendations

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

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Housing and council tax benefits subsidy claim				
The Council need to continue to prioritise staff training and quality control in the Revenues and Benefits team to ensure that the target set by the Council for benefit assessment accuracy is met and reduce the level of testing required to certify this claim.	High			

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

This page is intentionally left blank

Central Bedfordshire Council

AUDIT COMMITTEE

12 January 2015

ANNUAL AUDIT LETTER

Report of Ernst & Young LLP

Mick West, Director (m.west@uk.ey.com)

Purpose of this report

The purpose of the report is to communicate to the Council's Members and external stakeholders, including members of the public, the key issues arising from the audit work undertaken by Ernst & Young LLP which the latter feels should be brought to their attention.

This page is intentionally left blank

Annual Audit Letter

Central Bedfordshire Council

6 October 2014



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

6 October 2014

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Central Bedfordshire Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance, the Audit Committee, in our Audit Results Report dated 22 September 2014.

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Central Bedfordshire Council for their assistance during the course of our work.

Yours faithfully



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

Contents

Executive summary.....	1
Key findings.....	3
Control themes and observations	5

Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 5 March 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements
- ▶ Reviewing the Annual Governance Statement
- ▶ Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources
- ▶ Undertaking any other work specified by the Audit Commission

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Central Bedfordshire Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 29 September 2014 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 29 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit Committee) communicating significant findings resulting from our audit.	On 22 September 2014 we issued our report in respect of the Authority.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 29 September 2014.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.

Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act 1988.

No issues to report

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

On 29 September 2014 we issued our audit completion certificate.

Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work that we have undertaken.

We issued our 2012-13 annual certification report on 19 December 2013.

Key findings

Key findings

Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified auditor's report on 29 September 2014.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issues identified as part of our audit were:

Significant risk : Risk of misstatement due to fraud and error as a result of management override

This is a general risk we consider for the public sector bodies we audit. We obtained assurance that the risk of material misstatement due to fraud and error had been mitigated

Other key findings: Changes in how the Council must account for business rates from 2013-14 following the localisation of the scheme

The calculation of the provision for unsettled appeals by business ratepayers did not include any provision for successful appeals which may be backdated. As a result the Collection Fund provision was increased by £1.9m to £3.2m.

Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013-14 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness

We issued an unqualified value for money conclusion on 29 September 2014. We noted the following issues as part of our audit.

Key finding: Financial Resilience

The Council has a good track record of financial management in terms of delivering planned savings and efficiencies and our review of recent budgetary reports confirms that the Council's performance is being maintained.

Key finding: Economy, efficiency and effectiveness

The Council's performance on the speed of processing benefits claims has improved significantly in the past year. To reduce the number of cases where benefits are assessed incorrectly, the Council has continued to provide training to benefits staff including some ad-hoc training for staff dealing with some of the more complex claims.

Whole of Government Accounts

We reported to the National Audit office on 29 September 2014 the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government accounts. We did not identify any areas of concern.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

Certification of grants claims and returns

We presented our Annual Certification Report for 2012-13 to the 13 January 2014 Audit Committee. We checked and certified one claim and three returns with a total value of £156m. We issued qualification letters drawing attention to errors in one claim and one return. We will issue the Annual Certification Report for 2013-14 in December 2014.

Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we were required to communicate to those charged with governance at the Authority, the Audit Committee, significant deficiencies in internal control.

We found no deficiencies during the audit that were of sufficient importance to merit being reported.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

This page is intentionally left blank

Central Bedfordshire Council

AUDIT COMMITTEE

12 January 2015

2013/14 AUDIT SCALE FEE – LATE VARIATION

Report of Ernst & Young LLP

Mick West, Director (m.west@uk.ey.com)

Purpose of this report

The purpose of the letter is to set out the revised final scale fee in respect of the 2013/14 audit.

This page is intentionally left blank



Charles Warboys
Chief Financial Officer
Central Bedfordshire Council
Priory House
Monks Walk
Chicksands
Shefford
Bedfordshire
SG17 5TQ

24 November 2014

Ref:
Your ref:

Direct line: 01582 643186

Email: mwest@uk.ey.com

Dear Charles

Central Bedfordshire Council - 2013/14 Audit Scale Fee – late variation

We issued our formal 'Annual Audit Letter' on the 6 October 2014, to formally report the outcome from our work in respect of the 2013/14 audit year. Within this report, we set out the 'final' audit fees, as required by the Audit Commission.

However, the Audit Commission has recently consulted on a supplement to the 2014/15 audit scale fees. In that consultation, the Audit Commission applied a permanent variation of £1,070 to the base scale fee. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

This additional work is required because the certification work on Business Rates (the NNDR3 grant claim) is no longer within the Audit Commission's grant regime - it was withdrawn for 2013/14. The 2013/14 grant certification scale fee was reduced to reflect this. Auditors were previously able to use the certification work on the NNDR3 claim as the required assurance for the audit opinion on the financial statements (including the Collection Fund).

The Audit Commission has now acknowledged that auditors were required to undertake these additional audit procedures to be able to gain assurance for the 2013/14 financial statements opinion. Indeed, business rates were included as a risk within our Audit Plan. In recognizing that this applies equally to 2013/14, the Audit Commission has asked us to agree a scale fee variation of £1,070 to that audit fee with you.

The revised final scale fee in respect of the 2013/14 audit is set out in the table below.

	2013-14	2013-14
	Reported final fee (within Annual Audit Letter)	Amended final fee (revised and final)
	£	£
Audit Code Scale Fee	184,885	185,955



I appreciate that any increase to the audit scale fee is unwelcome news, but I hope that the narrative above sets out the Audit Commission's rationale for the increase. I think that this increase should be seen in the context of the Audit Commission reducing the 2015/16 scale fee by a further 25%, as a result of its latest procurement exercise.

If you wish to discuss this in more detail please do let me know, so we can arrange a call or a meeting. Otherwise, I would be grateful if this letter could be included within the agenda for the next Audit Committee, as we are required to report the final audit fee to 'those charged with governance' of the Council.

I look forward to catching up with you in due course.

Yours sincerely

A handwritten signature in black ink that reads 'M. West'.

Mick West
Director
Ernst & Young LLP

Central Bedfordshire Council

AUDIT COMMITTEE

12 January 2015

EXTERNAL AUDIT PROGRESS REPORT

Report of Ernst & Young LLP

Mick West, Director (m.west@uk.ey.com)

Purpose of this report

The purpose of the report is to provide the Committee with an overview of the stage reached by Ernst and Young LLP in carrying out the Council's 2013/14 audit. The report sets out the work undertaken by Ernst & Young since its last progress report to the Committee in June 2014.

The report also includes a sector briefing which covers issues which may have an impact on the Council, the local government sector and the audits which Ernst & Young undertakes.

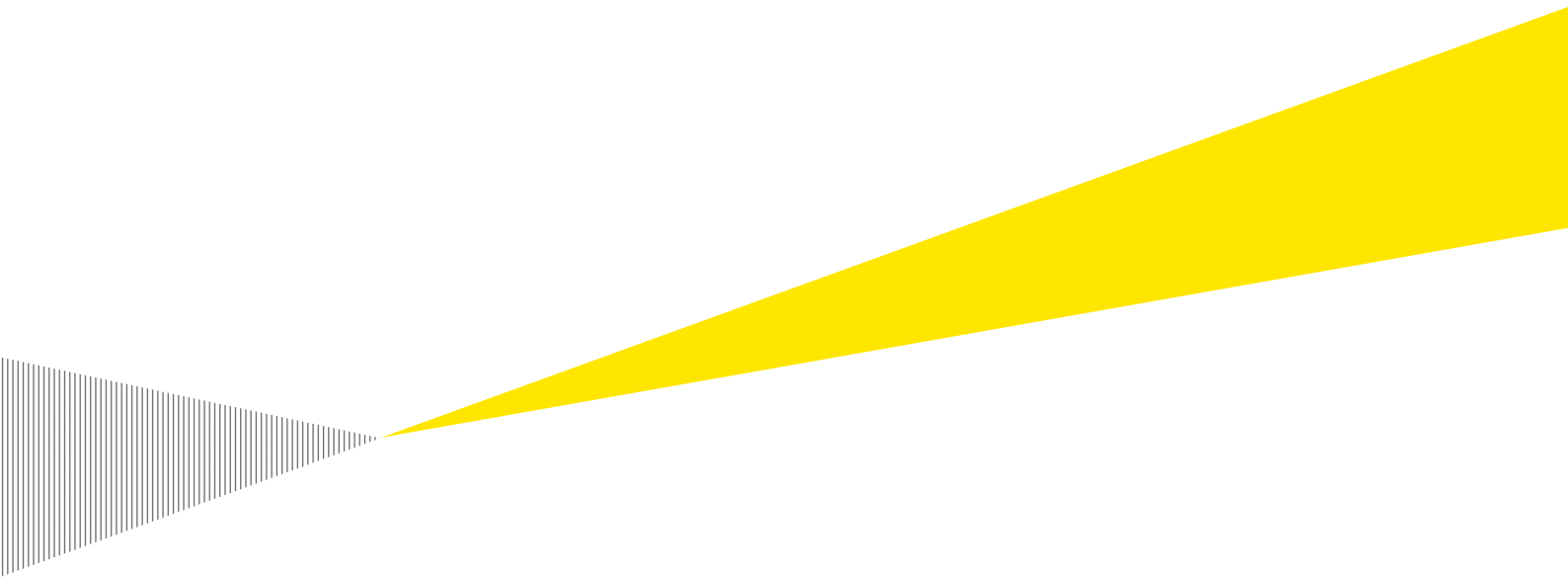
This page is intentionally left blank

Central Bedfordshire Council

Year ending 31 March 2014

Audit Progress Report

December 2014



Building a better
working world

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

2 December 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

Contents

Work completed	2
Timetable	3
Appendix 1: Audit Progress on Deliverables.....	4
Appendix 2: Audit Committee Briefing	5

Work completed

2013-14 Audit Plan

Our work on the 2013-14 audit is complete. We reported the findings from our financial statements and value for money audit work in our Annual Results Report to the 22 September Audit Committee.

The Annual Audit Letter was sent to all Members of the Council in October 2014. Within this report, we set out the 'final' audit fees, as required by the Audit Commission. However, the Audit Commission has recently consulted on a supplement to the 2014-15 audit scale fees. In that consultation, the Audit Commission applied a permanent variation of £1,070 to the base scale fee for unitary authorities. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

This additional work is required because the certification work on Business Rates, the NNDR3 return, is no longer within the Audit Commission's certification regime. Auditors were previously able to use this work to provide assurance for the audit opinion on the financial statements including the Collection Fund. The Audit Commission has acknowledged that auditors were required to undertake additional audit procedures to be able to gain assurance for the 2013-14 financial statements opinion. In recognizing that this applies equally to 2013-14, the Audit Commission has asked us to agree a scale fee variation of £1,070 to that audit fee with you. The audit fee for 2013-14 will increase from £184,855 to £185,955.

We are required to report the final audit fee to the Audit Committee, as 'those charged with governance' of the Council, and the letter setting out the revised final scale fee in respect of the 2013-14 audit is included in the agenda for this meeting.

2014-15 Audit Plan

As noted above the Audit Commission has applied a permanent variation of £1,070 to the audit scale fee for unitary authorities. The audit fee for the 2014-15 audit will therefore increase from £184,855 to £185,955.

We are currently updating our risk assessment and undertaking more detailed planning for the 2014-15 audit. The Audit Plan for 2014-15 will be presented to the Audit Committee at its meeting in March 2015.

Grant claim certification

The Certification of claims and returns annual report 2013-14 is included in the agenda for this meeting of the Audit Committee. The report sets out the results of our work on the Housing and Council Tax benefits subsidy claim and the Pooling of housing capital receipts return.

Timetable

Audit Committee timeline

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

Appendix 1: Audit Progress on Deliverables 2013-14

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	Completed	September 2014
Auditor's report (including opinion and value for money conclusion)	September 2014	Completed	September 2014
Audit completion certificate	September 2014	Completed	September 2014
Auditor's report on WGA return	September 2014	Completed	September 2014
Annual audit letter	October 2014	Completed	September 2014
Annual report on certification of claims and returns	December 2014	Completed	December 2014

Appendix 2

Local Government Audit Committee Briefing

Contents at a glance

Government and economic news

Accounting, auditing and Governance

Regulation news

Key Questions for the Audit Committee

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



Government and economic news

EY Item Club: Autumn 2014 Forecast

ITEM Club is the only nongovernmental economic forecasting group to use the HM Treasury model of the UK economy, independent of any political, economic or business bias. The Autumn 2014 report summarises the latest quarterly forecast and gives EY's assessment.

The ONS's recent revisions to the UK's historical economic data have given a very different perspective on the shape of the recession and subsequent recovery.

Consumer spending remains subdued by falling real wages, which has helped to keep inflation at bay. Inflation as measured by the CPI was just 1.2% in September, the lowest reading in five years and ninth successive month that it has been below 2%. Whilst falling prices for food and petrol have played a role in keeping inflation down, underlying price pressures are also well contained. Since consumer spending has been subdued, business investment has now taken over as the engine of recovery; with capital spending accounting for almost half the rise in GDP in the past year. UK GDP has been revised up, meaning it actually passed its previous high-point in 2013, and that output is now well above the 2008 peak.

This picture is more consistent with the strong growth in employment. The upward revisions to business investment have been particularly pronounced; meaning the scope for catch up is less than previously thought. Despite the growing risks and uncertainties, EY Item club is projecting GDP growth of 3.1% in 2014, followed by a slight easing to 2.4% growth in 2015 and 2.3% in 2016, and then a modest uptick in 2017.

Contracting out public services to the private sector

In the last briefing we considered the response of the House of Commons Committee of Public Accounts (the 'PAC') to evidence including the National Audit Office report 'The role of major contractors in the delivery of public services' and submissions from central government bodies.

The PAC made a range of recommendations in four key areas. In the previous briefing we looked at contract management and delivery. We will now consider Capability, Transparency and Ethical Standards.

Capability

The PAC found that, often, there is a lack of expertise within central government to extract the greatest value from contracting with private providers.

We often find that both public and private sector organisations lack clear lines of responsibility for contract management, which falls between procurement, operations and finance functions. A greater focus on contract governance would enable local authorities to ensure that accountability is clear and that experienced contract managers have the necessary training and skills for this important role.

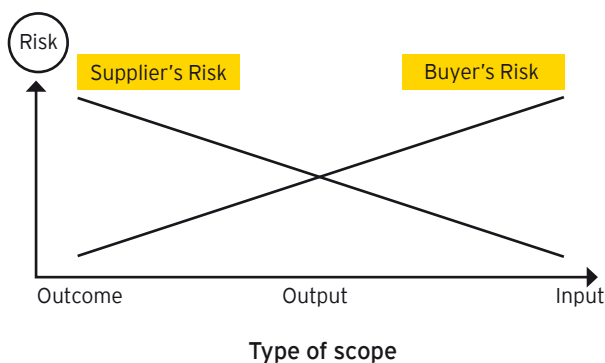
Transparency

Calls for increased transparency include recommendations that the public sector makes greater use of 'open-book' accounting. This is something we would endorse, especially where contracts are constructed around the purchase of 'inputs' such as labour on a daily or hourly rate.



Government and economic news

Furthermore, we would recommend that the public sector considers whether it can purchase services based around outcomes, rather than inputs, as these can help to mitigate the buyer's risk as illustrated below:



Ethical standards

The PAC emphasised the value of effective whistleblowing policies. Our experience shows that many private sector suppliers have whistleblowing policies. However, these tend not to provide a direct link from the potential whistleblower to the public sector buyer, sometimes reducing the effectiveness of these policies.

However, in order for whistleblowing to be a truly effective contract management tool, the buyer needs to have appropriate routes to provide rights of access to a contractor's employees as well as its accounting records, plus the teams with the necessary skills and experience to investigate contract performance.

Summary

At a time when local authorities continue to look for savings, the PAC Report provides a timely reminder that effective contract management can both:

- ▶ Be a means by which savings can be achieved
- ▶ Help to improve public confidence in the use of public funds

Councils face a £5.8 billion shortfall in funding says LGA

The Local Government Association (LGA) has published its Future Funding Outlook 2014, which notes that the funding gap, created by a combination of funding cuts and spending pressures, is growing at an average rate of £2.1 billion per year. Spending on social care and waste management, both of which have significant statutory elements, is taking up an increasing proportion of the funding available to councils, which means that according to the LGA model, funding for other council services will drop by 43% in cash terms by the end of the decade. Council expenditure has fallen significantly since 2010-11 in all areas other than public transport, children's social care, adult social care and waste management and other environmental services. However, assuming consistent service levels, and taking into account cost drivers and assumed efficiency levels, the LGA model predicts that total expenditure will rise from £51.1 billion in 2013-14 to £55.7 billion in 2019-20, whereas total funding will fall by £10.6 billion when the impact of ring-fenced funding for public health is excluded. Bringing together the predicted income and expenditure trends, the LGA forecasts a gap of £12.4 billion between funding and net expenditure by 2019-20. LGA research indicates that in many authorities savings are starting to come from service reductions rather than efficiencies, and that in 2015-16, savings will be achieved more through service reductions than through efficiencies. The funding gap by the end of 2015-16 is forecast to be £5.8 billion, of which £1.9 billion relates to adult social care.



Government and economic news

Independent commission on local government finance

The Local Government Association and the Chartered Institute for Public Finance Accountancy have together established the Independent Commission on Local Government Finance, which is chaired by Darra Singh, a partner in EY's Government and Public Sector team. The Commission aims to build on the work of the LGA and CIPFA, who individually set out proposals for public service reform, and will consider five key challenges:

- ▶ Promoting economic growth and investment in infrastructure
- ▶ Ensuring sufficient housing is provided in every place
- ▶ Integrating the health and social care systems to promote independent living, including preventing unnecessary health intervention
- ▶ Achieving a welfare benefits system that promotes work and protects the vulnerable
- ▶ Supporting families and developing young lives through early intervention

The Commission aims to shape the debate on local government finance, and to influence the next government. It published an interim report in October, and its final recommendations are due out in early 2015.

The interim report contains the following key points:

- ▶ The need for reform is urgent and creates an opportunity to establish a funding system for local government which is largely self-sufficient.
- ▶ Councils have a role to play in addressing the chronic housing shortage, and should be able to borrow to invest in social housing.
- ▶ The Commission will be looking at the option of creating central funds which offer to match-fund local partnership contributions in order to support early intervention for children and families.
- ▶ Larger investment in transformation is needed for the delivery of integrated care.



Accounting, Auditing and Governance

Future of Local Audit

As part of its consultation on Local Audit Regulations associated with the Local Audit and Accountability Act, which ended on 18 July 2014, the government is proposing to bring forward the dates for the accounts to be signed and certified by the Responsible Financial Officer, then approved and published, from 30 June and 30 September respectively to 31 May and 31 July respectively. They propose that this change would take place from the 2017-18 accounts, but hope that authorities will move to the new timetable as soon as possible.

The consultation also covers collective auditor procurement by a specified person. Under the intended regulations, authorities would be able to opt in to sector-led procurement arrangements, and have an auditor appointed on their behalf, rather than appointing their own auditor locally. Under the draft regulations, the Secretary of State may specify the Appointing Person, and may specify different appointing persons for different groups or types of audited bodies.

Grant claim certification results

The Audit Commission has published a report on its findings from the 2012-13 grant claim certification process. As well as adjustments to claims worth £17.3 million, auditors issued qualification letters for 360 claims and returns. This included:

- ▶ 255 Housing Benefit subsidy claims, 78% of the total,
- ▶ 55 Teachers' Pensions returns, 36% of the total,
- ▶ 39 National Non-domestic Rates returns, 12% of the total

From 2013-14, non-domestic rates returns no longer require auditor certification. Teachers' Pensions has decided to make its own certification arrangements for 2013-14, however the Audit Commission and, after March 2015, its successor transitional body will continue to make certification arrangements for housing

benefit subsidy. Council tax benefit was replaced in 2013-14 with local authority run schemes, which do not require auditor certification. Other grant paying bodies will need to make their own assurance arrangements from 2014-15 onwards.

The purpose of qualification letters is to make a grant paying body aware of issues with a claim or return, typically issues for which it is not possible or cost-effective to quantify the full financial impact. The Department for Work and Pensions issued a subsidy circular (HB S4-2014) in May 2014, reiterating the responsibilities of local authorities to ensure their subsidy claims are:

- ▶ Completed accurately and in accordance with HB subsidy guidance and circulars
- ▶ Supported by systems of internal control, including systems of financial control and internal audit
- ▶ Completed in a timely manner
- ▶ Supported by adequate working papers
- ▶ Subject to supervision and review before completion of the authority's certificate
- ▶ Certificate given by an appropriate officer, typically the responsible finance officer

The circular also states the Department's intention to contact all local authorities whose subsidy claims have been qualified. It will require an outline of the actions taken to address the issues raised. In cases with recurrent qualification issues, the Department will also visit those authorities.

Protecting the public purse: 25 years on

Detection of fraud in England in 2013-14 by Councils and other local government bodies was at its highest level since the recording of fraud was established some 25 years ago by the Audit Commission. The total figure of £188mn was a 10 fold increase on



Accounting, Auditing and Governance

the first recorded figure in 1990. The Audit Commission was and is the sole provider of comprehensive data on all types of fraud detected by local authorities. This is due to the statutory powers the Commission has, to demand that local government bodies provide such data.

The Audit Commission's Chairman, Jeremy Newman commented: 'I urge the government to mandate the provision of fraud data from all local authorities, after the Commission's closure, to ensure that future reports are able to provide as complete and authoritative a picture of fraud detection as 'Protecting the Public Purse'. This would help preserve the high levels of transparency and accountability that English councils currently exhibit in their approach to countering fraud and prevent those councils that are not yet playing their part in the fight against fraud, from avoiding public scrutiny.'

The Audit Commission has also released a checklist for elected members, designed to help them analyse their council's results and assess how the NFI is integrated into the council's processes and counter-fraud policies. The Commission recommends that public audited bodies should consider whether it is possible to make better use of matches, and use NFI matches in conjunction with matching services from other providers. It also recommends that local authorities should ensure they retain sufficient capability to investigate non-housing benefit fraud, after the introduction of the Single Fraud Investigation Service.

The Commission's Fraud Team will be moving to CIPFA as part of the closure of the Audit Commission.

The Cabinet Office and the Audit Commission will be working together to ensure the smooth transfer of the NFI functions when the Audit Commission closes in March 2015.

Audit fees at a 25 year low as part of the Audit Commission's legacy

In its last full year of operation before being officially wound down on 31 March 2015 the Audit Commission has announced that it is reducing audit fees by approximately £30 million between 2015-2017. If the government decides to extend and lock in the 2012 and 2014 audit contracts until 2020, it is expected that the total value of savings to local government, police, fire and NHS bodies would be approximately £440mn.

Chairman of the Audit Commission, Jeremy Newman says: 'We have driven down prices for audit services, showing again that bulk procurement is the best way to maintain a competitive market and provide taxpayers with value for money. The resulting savings are part of the legacy the Commission will leave after March 2015, and will be enjoyed by local authorities and NHS bodies for years after our closure. Fees should be preserved at this level for 2016-17 and we hope the government will take the opportunity we have secured to lock in and extend the savings we have achieved up to 2020.'

In addition to the above savings, the Commission also intends to return approximately £6mn as a rebate to Local Government and NHS bodies in 2014-15

A transitional body, Public Sector Audit Appointments Limited (PSAAL), has been established by the Local Government Association to oversee the management of the Audit Commission's external audit contracts until they end in 2017 or are possibly extended until 2020. The PSAAL will be responsible for setting fees, appointing auditors and monitoring the quality of auditors' work. They will also be responsible for publishing the Commission's Value for Money Profile tool.



Regulation News

Open and Accountable Government

The government has introduced a new law allowing the press and public to film and digitally report (including tweeting and blogging) from all public meetings of local government bodies. These rules will apply to all public meetings including town and parish councils, and fire and rescue authorities. The regulations also give members of the press and public rights to see information related to significant decisions made outside meetings by officers acting under general or specific delegated powers.

Whistleblowing

The Department for Business, Innovation and Skills (BIS) has recently launched a consultation, which closed at the end of September 2014, seeking views on the practical implementation of a legal power requiring prescribed persons to report annually on whistleblowing disclosures. Because of the duty of confidentiality binding prescribed persons, and a lack of legal obligation to investigate, BIS found that whistle-blowers do not have confidence that their reports are investigated. The Department is therefore introducing a reporting requirement in order to ensure more systematic processes across prescribed bodies, and to provide greater reassurance to whistle-blowers that their reports are being

acted on. The reports would not provide specific detail enabling the whistle-blower or the organisation about which the report is made to be identified, but would contain more generic information about the number of disclosures made, and the characteristics of those disclosures, such as whether they required further investigation or referral to an alternative body.

Meanwhile, the Parliamentary Commission on Banking Standards (PCBS) has published recommendations for enhancing corporate transparency, governance and integrity. Eleven of the PCBS' recommendations relate specifically to whistleblowing. The Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) have indicated their intention to adopt all eleven and consequently we can expect change to the regulatory landscape in the near future. We also noted earlier, that whistleblowing was an area raised by the PAC, who emphasised the value of effective whistleblowing policies.

Whistleblowing is therefore clearly a key area for consideration, for both the public and private sectors.

EY has produced a whistleblowing flyer to help you to consider your whistleblowing framework's effectiveness, and whether your culture encourages employees to raise concerns.



Key Questions for the Audit Committee

What questions should the Audit Committee be asking itself?

- ▶ Do we have clear lines of responsibility for contract management?
- ▶ Have we considered whether use of outcome based contracts could mitigate our 'buyers' risk'?
- ▶ Have we responded to the questions raised in Appendix 2 of the latest NFI report?
- ▶ How effective is our whistleblowing policy?



Find out more

EY Item Club: Autumn 2014 Forecast

Find EY Item Club's Autumn 2014 forecast at:

[http://www.ey.com/Publication/vwLUAssets/EY-ITEM-Club-Autumn-Forecast-2014-full-report/\\$FILE/EY-ITEM-Club-Autumn-Forecast-2014-full-report.pdf](http://www.ey.com/Publication/vwLUAssets/EY-ITEM-Club-Autumn-Forecast-2014-full-report/$FILE/EY-ITEM-Club-Autumn-Forecast-2014-full-report.pdf)

Contracting out public services to the private sector Read the NAO report at:

<http://www.nao.org.uk/wp-content/uploads/2013/11/10296-001-BOOK-ES.pdf>

To find out how EY can help with contract management, contact a member of your engagement team.

Councils face a £5.8 billion shortfall in funding says LGA

Read the LGA's press release, on what they have termed the '£5.8bn funding black hole' at

http://www.local.gov.uk/web/guest/finance/-/journal_content/56/10180/6309034/NEWS.

Find the full report at:

<http://www.local.gov.uk/documents/10180/5854661/L14-340+Future+funding+-+initial+draft.pdf/1854420d-1ce0-49c5-8515-062dcca2c70>

Independent Commission on Local Government Finance

Read the Commission's interim report at:

http://www.localfinancecommission.org/-/media/iclgf/documents/l14536%20interim_report_web_v2.pdf

Future of Local Audit

<https://www.gov.uk/government/consultations/local-audit-regulations>

Grant Claim Certification Results

Read the full Audit Commission report at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/06/Local-government-claims-and-returns-final-17-June-2014.pdf>

The DWP circular is also available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/309613/s4-2014.pdf



Find out more

Audit fees at a 25 year low as part of the Audit Commission's legacy

Read the full Audit Commission press release at:

<http://www.audit-commission.gov.uk/2014/10/wpsf1516pr/>

Protecting the Public Purse: 25 years on

Read the final NFI report produced by the Audit Commission before its closure in March 2015 at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/Protecting-the-Public-Purse-2014-Fighting-Fraud-against-Local-Government-online.pdf>

Open and Accountable Government

The guide for press on attending and reporting meetings of local government is available at:

<https://www.gov.uk/government/publications/open-and-accountable-local-government-plain-english-guide>

Whistleblowing

Feedback from the consultation is currently being analysed. The output from the consultation when it becomes available will be accessed via:

<https://www.gov.uk/government/consultations/whistleblowing-prescribed-persons-reporting-requirements>

To download the EY flyer on whistleblowing, visit:

[http://www.ey.com/Publication/vwLUAssets/EY_-_Whistleblowing_-_change_is_coming/\\$FILE/EY-whistleblowing.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Whistleblowing_-_change_is_coming/$FILE/EY-whistleblowing.pdf)

For more information on how EY can help you enhance your existing whistleblowing framework, speak to a member of your engagement team.



About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2014 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED 0115

1491313.indd (UK) 11/14. Artwork by Creative Services Group Design.



In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk

Central Bedfordshire Council

Audit Committee

12 January 2015

FINAL ACCOUNTS PROCESS 2014/15

Advising Officers:

Charles Warboys, Chief Finance Officer (charles.warboys@centralbedfordshire.gov.uk)

Nisar Visram, Financial Controller (nisar.visram@centralbedfordshire.gov.uk)

Purpose of this report

The report summarises key changes in the Statement of Accounts for 2014/15 and internal procedures for producing the Statement of Accounts.

RECOMMENDATIONS

The Committee is asked to:

1. Consider the key changes in the account statements and processes.
2. Approve an interactive presentation of the unaudited accounts to Audit Committee and other Members in June 2015.

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

2. The Accounts and Audit Regulations 2011 require the Chief Finance Officer of the Local Authority to prepare and sign a set of unaudited accounts by 30 June each year. Audited accounting statements are required to be re-certified by the Chief Finance Officer, signed by the Chair of the Audit Committee and published by 30 September each year.
3. In addition to the requirements of the 2011 Regulations, the Council has held an accounts presentation in June for the last two years, open to all Members, to enhance scrutiny and present key figures from the technical accounts in a useful and meaningful manner.

4. Under the same 2011 regulations, the accounts are required to present a 'true and fair' view of the financial position of the Council and comply with 'proper accounting practices'. The Local Government Act 2003 specifies the CIPFA Code as representing proper accounting practices for this purpose. The CIPFA Code is issued annually in November.
5. CIPFA issue a Local Authority Accounting Panel (LAAP) bulletin at the end of the financial year to address any specific issues arising from the CIPFA Code of Practice. These bulletins have the same status as the CIPFA Code in forming the statutory basis of the Council's accounts. LAAP bulletins may also be issued during the year to provide general guidance on topical issues.
6. CIPFA may also issue mid-year updates to the Code of Practice on an exceptional basis. No such update has been issued for the 2014/15 financial year.

CIPFA Code of Practice 2014/15

Accounting for Schools

7. The most significant change in the 2014/15 CIPFA Code relates to accounting for schools. The Code confirms that *'the balance of control lies with local authorities for all maintained schools'*. In practice this means that the income, expenditure, assets and liabilities for all Community, Foundation and Voluntary Controlled/Aided schools are required to be consolidated within the Council's accounts. Academies are excluded.
8. The Council has in the past only included Land and Buildings of Community Schools within its accounting records, following guidance from an initial CIPFA exposure draft in 2011/12. With updated guidance now included in the 2014/15 CIPFA Code, the Council's valuations team have been assessing school buildings to derive values and bring these assets on to Council books this financial year. It is expected this will have a significant impact on the value of assets held on the Council's balance sheet.

Group Accounts

9. The CIPFA Code includes extensive revisions Group Accounting, reflecting five new/amended accounting standards issued by the International Accounting Standards Board (IASB). These are *IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Ventures, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (as amended in 2011) and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)*.
10. Details of changes in the standards were outlined in Note 2 of the 2013/14 Statement of Accounts, which also confirmed that the changes do not impact the Council as the Council has no material arrangements which come into these categories.

Miscellaneous changes

11. The CIPFA Code includes various miscellaneous presentational adjustments which will be incorporated into the 2014/15 Statement of Accounts. In particular, a new section in the CIPFA Code discusses how best to 'tell the story' of the accounts and includes an article from CIPFA's Public Finance magazine entitled 'Clearing out the Clutter'. Although the format of the accounts is determined by the CIPFA Code, the accounts will be reviewed considering this section.
12. The key message within this section is for materiality to be considered when making disclosures to the accounts, both considering the materiality of amounts in relation to the size of the organisation and the relevance of information being disclosed to the reader.
13. 'Telling the story' includes details on how to link accounts information to information provided in budget reports and explaining what key aspects of the accounts mean. The information within this section is usually covered as part of the accounts presentation to Audit Committee in June.
14. The Code incorporates in year bulletins released by the Local Authority Accounting Panel (LAAP):
 - *LAAP 99: Reserves and Balances*
 - *LAAP 100: Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17*
 - *LAAP 86 (Update): Componentisation of Property, Plant and Equipment*

Local Audit and Accountability Act 2014

15. The Local Audit and Accountability Act gained Royal Assent in 2014 to set in motion the abolition of the Audit Commission by 31 March 2015. Although details are awaited to clarify the new Regulations it is anticipated that Local Authorities will be able to appoint their own auditors after the 2016/17 financial year.
16. Section 32 of the Act contains updates to the Accounts and Audit Regulations 2011, and under these updates the Secretary of State has consulted on changing the deadlines for publication of the Council's Statement of Accounts. Proposals are for the Chief Finance Officer to sign the draft accounts by 31st May (currently 30 June) and for the Audited accounts to be approved by Audit Committee by 31 July (currently 30 September). Consultation on the changes closed on 18 July 2014 and although there has as yet been no further clarification on this subject, if the changes go ahead it is anticipated they will be implemented from the 2017/18 financial year.

Accounts Process

17. The Accounts and Audit Regulations 2011 require the Chief Finance Officer to certify the unaudited Statement of Accounts by 30 June each year.

18. For the last two years there has been a presentation of the key figures in the accounting statements to this Committee with all other Council Members invited, the purpose being to enhance the scrutiny and discussion of the statements in a clear and useful manner. The presentation was made by the Chief Finance Officer, the Head of Financial Control and the Financial Controller and included a question and answer session.
19. Conducting a presentation instead of submitting the accounts as an Audit Committee report enabled significantly more time for Finance staff to concentrate on quality assurance work in June. Making the most of the time available for quality assurance activities helped to minimise the work of the Finance team and the external auditors in the period July to September.
20. Positive feedback was received following the presentation, which engaged Members and enabled a focus on the key points within the accounts. It is therefore proposed to present the 2014/15 statements in a similar manner at the Audit Committee meeting in June 2015 with an open invitation to all Council members.

Council Priorities

21. Fully informing Members of forthcoming changes relating to the Statement of Accounts and inviting all Members to consider and comment on the Statement contributes towards the Committee's scrutiny function and meeting the Council's priority of value for money.

Corporate Implications

Legal Implications

22. The production of an annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2011. The accounts are to be prepared in line with 'proper accounting practice' and the Local Government Act 2003 section 21(2) specifies the CIPFA Code of Practice as representing proper accounting practice for this purpose.
23. The accounts are based on International Financial Reporting Standards (IFRS) as defined by the CIPFA Code of Practice and the authority must incorporate any changes to the CIPFA Code in preparing the financial statements.

Financial Implications

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

Equalities Implications

25. There are no equalities implications.

Appendices

None

Background Papers:

None

This page is intentionally left blank

Central Bedfordshire Council

AUDIT COMMITTEE

12 January 2015

LOCAL GOVERNMENT PENSION SCHEME UPDATE

Advising Officers:

Charles Warboys, Chief Finance Officer
(charles.warboys@centralbedfordshire.gov.uk)

Ralph Gould, Head of Financial Control
(ralph.gould@centralbedfordshire.gov.uk)

Purpose of this report.

The purpose of the report is to advise the Committee on the administration and development of the Local Government Pension Scheme. A similar report is made to the General Purposes Committee. The reports have been prepared at the request of both Committees because of the Council's financial obligations in respect of the LGPS and the ongoing reform of public sector pension arrangements.

RECOMMENDATION

The Committee is asked to note the report.

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

2. The Local Government Pension Scheme (LGPS) in England and Wales is a funded public sector pension scheme with approximately 4.6 million members. The regulations for the scheme are determined by parliament and developed by the Department of Communities and Local Government. The scheme is administered locally for participating employers by eighty nine funds across England and Wales.
3. The Bedfordshire Pension Fund is administered by Bedford Borough Council, who is responsible for the pensions of Local Government employees across Bedfordshire, including Luton Borough Council and Central Bedfordshire Council.

4. Participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services such as academy schools, contractors, housing associations and charities.
5. Currently in excess of 130 scheme employers participate in the Bedfordshire LGPS. The Bedfordshire scheme membership numbers at March 2013 and 2014 are shown in Table 1. Following a number of years where active membership had declined the recent introduction of auto enrolment has contributed to an increase in active members for the Fund as a whole.

6. **Table 1 LGPS Bedfordshire and CBC Membership at 31/3/13 and 31/3/14**

	Fund	Fund	CBC	CBC
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
Active	17,442	18,766	3,975	4,025
Deferred	21,142	22,821	6,755	7,144
Pensioners	13,158	13,841	4,131	4,276
Total	51,742	55,428	14,861	15,445

7. The LGPS is administered within a statutory and best practice framework. The various administering authorities apply important policies and strategies that are developed and reviewed with independent specialist advice and consultation with participating employers. The main areas are governance arrangements, funding, investment and communication strategies, all of which can be accessed at the Bedfordshire Pension Fund website (www.bedspensionfund.org).
8. The purpose of this report is to highlight recent developments in respect of the LGPS and the Bedfordshire Fund. A report to this Committee in May 2014 detailed the governance of the Bedfordshire LGPS, the results of the 2013 Actuarial valuation, the implementation of the LGPS 2014 and the Fund's investment strategy. This report provides information on the following matters:
 - a. Development of mechanisms for cost capping across Public Service Pension Schemes,
 - b. Implementation of Local Pension Boards, and
 - c. The Fund's asset management

Development of mechanisms for cost capping across Public Service Pension Schemes

9. Reformed pension schemes will be introduced across much of the public sector from April 2015, the latest LGPS was introduced from April 2014. All the public sector schemes will be subject to statutory cost capping mechanisms to ensure that in the future costs to taxpayers do not exceed agreed limits and that risks are more fairly shared between employers and employees. Importantly any pension scheme deficits will not be part of the proposed capping arrangements. In the case of the Local Government Pension Scheme, the employer cost cap will be calculated by a Scheme actuary appointed by the Secretary of State. The national statutory cap for the LGPS will be based on a 2013 model fund valuation in accordance with Treasury Directions. The figure for the statutory cap based on a 2013 Model Fund is not yet published.
10. When the cost cap has been set for the LGPS, at the future triennial actuarial valuations, there will be an allowed margin of 2% of pensionable pay above and below the cap value to deal with small cost changes. Should the 2% margin be breached there will be consultation to allow the responsible authority, scheme managers, employers and members (or their representatives) to agree how employer costs should be brought back to the level of the cap. In the event that agreement is not achieved the Treasury will direct a default adjustment to pension accrual rates.
11. In March 2014 the Treasury published guidance on how pension scheme cost capping would work. Cost caps will not apply to all the pension costs as significant risks will continue to be retained by the employer. Cost increases arising from changes in the discount rate used to value liabilities, actuarial valuation methods or investment performance will fall to the employer. In addition, the past service costs of deferred and pensioner members in any earlier pension schemes will be excluded from the cap mechanism. The caps will only address those changes which relate directly to members, for example life expectancy changes and salary growth. The result of this approach will be that there will be a difference between the actual employer contribution rate paid by employers and the rate that is controlled by the cap.
12. Any cost adjustment may be achieved by a change in future benefit accrual, change in member contributions or some other adjustment. There is no intention to make changes to accrued benefits. HM Treasury consent will be required to any change.
13. In addition to the Treasury employer cost cap process, provision is also to be made for an internal cost management process agreed between Government, the Local Government Association and local government trade unions. Unlike the Treasury's employer cost cap process which

will monitor changes in the value of benefits in the new Scheme over time, the aim of the internal process is to stabilise the actual contribution rates paid by employers and members in respect of the new Scheme within an overall target cost of 19.5% of pensionable pay with the target yield from scheme members' contributions being one third of the overall cost (i.e. currently 6.5%). The local model will apply some different assumptions to the Treasury model e.g. mortality tables and take up of the various membership options.

14. As with the statutory cost cap, certain drivers of scheme costs will not affect the cost control mechanism run the by the National Local Government Scheme Advisory Board. In addition to existing past service effects and changes in financial assumptions, risk associated with investment performance will also be excluded from both the statutory cost cap and the Board's cost control mechanism. Investment risk will instead be dealt with via improved governance.
15. Whilst the statutory cap takes precedence, the LGPS cost control process is designed to initiate consultation between stakeholders when indicated variations in future costs are below the 2% national limit.
16. The Department of Communities and Local Government is currently consulting on detailed regulations to implement the statutory cost capping mechanism for the LGPS as well as the additional cost control arrangement.

Implementation of Local Pension Boards

17. The LGPS has been subject to significant changes over recent years as central government strives to ensure that public sector pension schemes provide value for money. This objective is in line with the Council's own value for money priority.
18. Significant changes are being introduced to the governance of the LGPS from April 2015 with the creation, at a national level, of a Scheme Advisory Board to advise the Responsible Authority for the Scheme (the Secretary of State for Communities and Local Government). At a local Fund level Bedford Borough Council, the Administering Authority, must create a Pension Board to assist it in its role as the Scheme Manager of the Fund. The purpose of the Pension Board is to secure compliance with regulations and to ensure the effective and efficient governance and administration of the LGPS. The Pension Regulator's powers have also been extended to cover some aspects of public service pension schemes, including the LGPS.
19. By 1 April 2015, the Administering Authority must have approved the establishment of the Local Pension Board and its composition and also the terms of reference, in accordance with its constitution. The creation of new Local Pension Boards does not change the core role of the Administering Authority or the way it delegates its pension functions. It

is anticipated that Bedford Borough Council will consider the options available in respect of the creation of a local Pension Board when the current consultation on the relevant draft regulations and draft statutory guidance ends on 21 November 2014. Bedford Borough Council plan to consult stakeholders on any draft Pensions Board proposals and this could even take place before any final regulations are published.

20. A Local Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. No officer or councillor of an Administering Authority who is responsible for the discharge of any function under the LGPS Regulations (apart from any function relating to Local Pension Boards or the Scheme Advisory Board) may be a member of a Local Pension Board.
21. All employers and members within a Fund must have equal opportunity to be nominated for the role of employer or member representative through an open and transparent process.
22. The Regulations also allow for the appointment of other members i.e. members who are not there to represent employers or scheme members, for example where an Administering Authority wishes to appoint an independent chairperson to the Local Pension Board.
23. Regulations require that the Administering Authority must ensure that any person it wishes to appoint as an employer or member representative has relevant experience and the capacity to represent the employers or members (as appropriate) of the Fund.
24. Following an initial draft regulations consultation in June 2014 a subsequent consultation commenced 10 October 2014 (due to cease 21 November 2014). The main change between the consultations, following concerns raised by local government, has been to allow elected members to become members of a local Pension Board.
25. The implementation and maintenance of the LGPS governance changes outlined above will require a significant contribution from the local administering authority. The requirement that Pension Board members to have relevant experience may present a challenge

Fund Asset Management

26. The Fund has implemented an investment strategy and benchmark (Table 2) that seeks to provide less volatile returns compared to Funds with a greater weighting to equities. In periods when equity markets are very strong the Fund is likely to underperform the average local authority fund which tends to have greater allocation to equities. Conversely when equity markets are weak the Fund would be expected to outperform the average local authority fund.

27. **Table 2 Fund Asset Allocation Benchmark (SIP 2014)**

Asset Classes	Benchmark	Allocation Range
UK equities	19%	Range 40%- 60%
Global/Overseas equities	31%	
UK Gilts	4%	Range 13%-33%
Absolute Return Bonds	10%	
Corporate Bonds	4%	
Absolute Return Multi Asset	20%	Range 15%-25%
Property	10%	Range 5%-15%
Cash/Opportunistic	2%	Opportunistic Range 0%-4% Cash Range 0%-10%
Total	100%	

28. The Fund Administrator reported on the Pension Fund Performance over the three month period ending 30 June 2014 at the Bedford Borough Council Pensions Committee meeting on 15 September 2014. The market value of the Fund and cash holdings as at 30 June 2014 was £1,570.9 million (Table 3) which was an increase of £32.8 million since 31 March 2014. This positive performance had primarily derived from the equities asset class.
29. The Pension Fund investment return for the quarter ending 30 June 2014 was 2.2% which was ahead of the benchmark return of 2.0% and in line with the estimated WM Local Authority average of 2.2%.
30. At its meeting held on 11 March 2014, the Pensions Committee had reviewed the level of cash held and made allocations to rebalance back to benchmark. Allocations were agreed to Property, Emerging Market Equities and Multi-Asset Absolute Return. The latter two had been transacted and were included as part of the current asset allocation. It was noted that the current asset allocation remained consistent with the strategic benchmark.
31. At its meeting held on 17 June 2014 the Committee agreed to restructure its passive bond holdings away from Corporate Bonds. This had been completed in early July 2014 and will be shown in the next quarter's report.
32. The investment objective is subject to the strategy being carried out within acceptable levels of risk. Risk associated with investments is controlled through the diversification between asset classes and Investment Managers. The risk within each portfolio is monitored with the Managers. Benchmark risk is controlled by indexing a proportion of the Fund's assets to passively track appropriate indices. Benchmark

risk is the risk that investments in a particular asset class (i.e. UK equities, overseas equities) do not match the broad market return on that asset class as represented by an appropriate index for that asset class. The Fund's investments at 30 June 2014 are shown in Table 3 overleaf.

33. **Table 3 Bedfordshire Fund Investment Asset classes and values at 30 June 2014**

Asset class	30 June-14	30 June-14	Benchmark
	£M	%	%
UK Equities	307.3	19.6	19
Overseas Equities	486.7	30.1	31
Total Equities	794.0	50.5	50
UK Gilts (inc Index Linked)	68.8	4.4	4
Corporate Bonds	83.9	5.3	4
Absolute return Bonds	135.5	8.6	10
Total Bonds	288.2	18.3	18
Property – (Indirect))	146.0	9.3	10
Multi Asset Absolute Return	288.7	18.4	20
Cash	54.0	3.5	2
Total Fund	1,570.9	100	100

34. During the summer the DCLG consulted on opportunities to deliver cost savings and efficiencies through LGPS Funds investing through Common Investment Vehicles and an increased use of passive investment approaches. The Bedfordshire Fund responded to the consultation stressing the need for transparency across LGPS investments to drive best value. The Fund already invests almost 50% of its assets through passive strategies and invests in a wide range of pooled vehicles. The Pension Committee is supportive of Common Investment Vehicles where the governance is transparent and where they address an investment need such as allowing a diversified and cost effective investment in infrastructure.

Corporate Implications

35. The LGPS is an important part of the employment benefit arrangements for approximately 4,000 Council staff and the governance and performance of the scheme merits regular consideration by this Committee.

Legal Implications

36. The LGPS in England and Wales is operated in line with various regulations made by the Secretary of State for Communities and Local Government in exercise of the powers conferred by the Superannuation Act 1972 and the Public Service Pensions Act 2013.

Financial Implications

37. The most recent Bedfordshire LGPS triennial actuarial valuation at 31 March 2013 disclosed Central Bedfordshire Council's liability of £550m compared to assets of £361m. It is planned to address the funding deficit of £189m (36%) over a twenty year period whilst stabilising the overall employer's contribution rate. In the current financial year 2014/15, employer contributions of 14% of pensionable pay are paid to the Bedfordshire Fund (approximately £8m p.a. including schools non-teaching staff) along with an additional lump sum of £6.7m towards the funding deficit.

Equalities Implications

38. There are no equalities implications.

Conclusion and next Steps

39. This is the second update to the Committee in respect of the LGPS arrangements and demonstrates the ongoing activity in respect of reform of public sector pension schemes.

Appendices

None

Background Papers

None

Central Bedfordshire Council

AUDIT COMMITTEE

12 January 2015

INTERNAL AUDIT PROGRESS REPORT

Advising Officers:

Charles Warboys, Chief Finance Officer
(charles.warboys@centralbedfordshire.gov.uk)

Kathy Riches, Head of Internal Audit and Risk
(kathy.riches@centralbedfordshire.gov.uk)

Purpose of this report:

This report provides a progress update on the status of Internal Audit work for 2014/15.

RECOMMENDATION

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

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

2. 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.
3. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
4. The Audit Committee approved the 2014/15 Audit Plan in March 2014. This report provides an update on progress made against the plan up to the end of November 2014.

Progress on the 2014/15 Audit Plan

5. The initial efforts in the first part of the year have been focused on finalising the audit reviews in progress at the end of 2013/14 and undertaking the fundamental systems reviews. A substantial number of these reviews are now either finalised or at draft report stage.

Fundamental System Audits

6. Work is progressing on the 2014/15 fundamental systems audit reviews and the progress made to date is summarised at Appendix A.
7. Recognising the need to communicate initial findings, meetings have been held where possible where draft recommendations and provisional audit opinions have been discussed. The outcomes of these reviews are set out at Appendix A. It is important to recognise that the opinions given are provisional based upon audit testing undertaken to date, and verbal updates will be given to the Committee. During discussions with the external auditors it has been agreed that some 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.
8. 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.

Other Audit Work

9. In addition to work on the fundamental systems, work has been finalised on the following reviews.
 - IT Governance Phase 2 – Limited assurance
 - Recruitment Controls – Adequate assurance
 - Data Quality – Customer Surveys Roads and Pavements – Adequate assurance
 - Data Quality – Invitations to Health Checks – Limited assurance
 - Section 278 Agreements – Limited assurance
10. Internal Audit has continued to be engaged in several projects, in order to provide advice and guidance on the control environment during project implementation, including the transfer arrangements for the management of the Council's residential care homes for older people.
11. A number of other reviews are currently progressing, and these are also shown within Appendix A. The outcomes will be reported to a future committee.
12. The 2014/15 Audit Plan had included a review on the Impact of Welfare Reform. This review has been removed from the plan following discussions with the Chief Finance Officer, as there are on going monitoring mechanisms in place

National Fraud Initiative (NFI)

13. 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.
14. Data sets were extracted in October 2014 and submitted via the secure web application. It is anticipated that the 2014/15 matches will be available for review from the end of January 2015.

Fraud and Special Investigations

15. Two investigations supported by Internal Audit have now been finalised. The details are summarised at Appendix B. A further investigation is in progress.

Schools

16. The rolling programme of school audit visits has continued. To date this year 4 school reports have been finalised, 1 draft report has been issued and 6 further visits have been completed with reports currently being finalised.

Performance Management

17. 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.

Activities for 1 April 2014 – 30th November 2014

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	61%	52%	62%	80%
KPI02	Percentage of the number of planned reviews completed.	46%	45%	48%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	85%	75%	60%	75%
KPI04	Time taken to respond to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	50%	80%	84%	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	94%	80%	100%	80%
KPI06	Overall customer satisfaction.	94%	80%	95%	80%

18. Analysis of indicators:

KPI01 – As at the end of November, Internal Audit has delivered a total of 773 productive audit days against a total of 1260 planned days for the year. This is above target for the period and consistent with the previous year.

KPI02 – This KPI measures final reports issued to date. 46% of the planned reviews have been completed to final report stage along with milestones reached for fundamental systems audit work. This is slightly above target and is consistent with the previous year.

KPI03 – 85% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is above the target agreed for the year, and demonstrates a continued improvement.

KPI04 - This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. During the period up to the end of November, 50% of draft reports were responded to within the target set. This is below target. Internal Audit has raised this issue with the director of relevant service areas to try to improve response times.

KPI05 - This indicator measures the time taken by Internal Audit to issue the final report upon receipt of an agreed response from the auditee, and continues to be positive.

KPI06 –20 surveys have been returned this year. The overall satisfaction is 94%, which is positive.

Council Priorities

19. 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.

Corporate Implications

Legal Implications

20. There are no legal implications.

Financial Implications

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

Equalities Implications

22. There are no equalities implications.

Conclusion and next Steps

23. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council. Work is progressing to deliver the agreed plan by the year end.

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

Appendices

Appendix A – Progress on Audit Activity

Appendix B – Summary of Special Investigations finalised since last Committee

Background Papers

None

Priority	Audit Title	2014/15 Days	Position as at end November	Opinion
	Carry Over Work			
	Completion of Reviews in Progress as at 31 March 2014	120		
	2013-14 Accounts Payable Phase 2		Final report issued	Adequate
	2013-14 Council Tax Phase 2		Final report issued	Adequate
	2013-14 NDR Phase 2		Final report issued	Adequate
	2013-14 Asset Management/Capital Accounting		Final report issued	Adequate
	2013-14 Main Accounting System Phase 2		Final report issued	Adequate
	2013-14 Payroll Phase 2		Final report issued	Adequate
	2013-14 SWIFT Financials		Final report issued	Adequate
	ICT Contract Management		Fieldwork completed	
	Recruitment Controls (including vetting)		Final report issued	Adequate
	Data Quality- Customer Satisfaction for Roads and Pavements		Final report issued	Adequate
	Data Quality- Invitations to Health Screening		Final report issued	Limited
	Data Quality- Visits to Libraries		Fieldwork completed	
	Teachers' Pensions		Final report issued.	Limited
	Officers Hospitality and Gifts - Follow Up		Final report issued	Unsatisfactory progress
	Members Hospitality and Gifts - Follow Up		Final report issued	Satisfactory progress
	ICT Governance Phase 2		Final report issued	Limited
	Corporate Financial Management		Fieldwork completed	
	Domiciliary Care Framework Agreement		Fieldwork in progress	
	SCHH Financial Management		Fieldwork completed	
	Section 278 Agreements		Final report issued	Limited
	Pro Active Anti Fraud- Expense Claims		Fieldwork in progress	
	Pro Active Anti Fraud - Timesheets		Fieldwork in progress	
	Lawnside Lower School		Final report issued	Adequate
	Arlesey Nursery		Final report issued	Adequate
	Total - Carry Over Work	120		
	Fundamental Systems			
H	Accounts Payable/Purchase Ledger (including feeder systems)	35	Report drafted	Adequate (Provisional)
H	Accounts Receivable/Sales Ledger	30	Report drafted	Adequate (Provisional)
H	Asset Management (incl. Asset Register)/Capital Accounting	30	Not yet started	
H	Council Tax (including Council Tax Support Scheme)	35	Report drafted	Adequate (Provisional)
H	Housing Benefits	40	Report drafted	Adequate (Provisional)
H	Main Accounting Systems (MAS)	30	Report drafted	Adequate (Provisional)
H	National Non Domestic Rates NNDR	35	Report drafted	Adequate (Provisional)
H	Payroll	35	Fieldwork completed	Adequate (Provisional)
H	SWIFT Financials	15	Scoping in progress	

Priority	Audit Title	2014/15	Position as at end	Opinion
		Days	November	
H	Treasury Management	25	Report drafted	Adequate (Provisional)
H	Housing Rents including tenant arrears	25	Fieldwork completed	Adequate (Provisional)
H	Cash And Banking (Non Invoiced Income)	20	Report drafted	Adequate (Provisional)
Total - Fundamental Systems		355		
Assurance Audits - Improvement and Corporate Services				
M	Data Quality	15	Scoping in progress	
H	Information Governance - application of framework	15	Scoping in progress	
M	Corporate Governance Reviews	15	Scoping in progress	
M	Public Health data - assurance on Information Management	15	Not yet started	
M	Application Reviews	15	Scoping in progress	
M	Customer First Information Security	15	Not yet started	
H	SAP Master Data Maintenance post ESS/MSS	15	Fieldwork in progress	
H	IT Disaster Recovery	10	Scoping in progress	
H	SAP Access and Security	10	Fieldwork completed	
M	Corporate Asset Management Strategy	15	Scoping in progress	
H	Compliance- Assets	15	Scoping in progress	
M	Asset Management System	15	Scoping in progress	
Total- Improvement and Corporate Services		170		
Assurance Audits - Finance				
H	Impact of Welfare Reform	15	Removed - see par 12 of report.	
M	Adherence to Procurement Procedures	15	Scoping in progress	
L	Sickness Absence Pool	5	Scoping in progress	
Total - Finance		35		
Assurance Audits - Children's Services				
M	Schools General - School Improvement	80	Ongoing throughout year.	See par 16 of report.
H	School Transport	15	Scoping in progress	
H	Troubled Families Grant	15	Fieldwork in progress	
Total - Children's Services		110		
Assurance Audits - Social Care, Health and Housing				
M	Housing Repairs	20	Timing of review subject to completion of SAP/QL interface	
H	Direct Payments	15	Scoping in progress	
M	Housing Tenancy Management	15	Fieldwork in progress	
M	Residential Care Homes - Supporting Transfer	5	Finalised	n/a
M	Residential Care Homes - Review opening balances on clients' funds	10	Scoping in progress	
M	Residential Care Homes - Payroll Due Diligence	5	Fieldwork in progress	
M	Care Homes - Accreditation Scheme for Dementia	10	Not yet started	
Total - Social Care, Health and Housing		80		

Priority	Audit Title	2014/15 Days	Position as at end November	Opinion
Assurance Audits - Contracts and Partnerships				
M	Contract Management	20	Not yet started	
Total - Contracts and Partnerships		20		
Assurance Audits - Public Health				
M	Public Health compliance with best practice	15	Scoping in progress	
Total - Public Health		15		
Special Investigations				
M	National Fraud Initiative (NFI)	20	Ongoing throughout year	n/a
M	Special Investigations	40	Ongoing throughout year.	Two investigations completed. See Appendix B
	Pro Active Anti Fraud:			
M	Internet and Email systems	10	Scoping in progress	
M	Voluntary funds	10	Scoping in progress	
M	Cash income	10	Report drafted	
Total - Special investigations		90		
Ad Hoc Consultancy etc.,				
H	Risk Management Activities	35	Ongoing throughout year	
M	Major projects - Consultancy	40	Ongoing throughout year	
M	Supporting Annual Governance Statement	5	2013/14 statement drafted.	n/a
M	Audit of Individual Grants	20	Ongoing throughout year	Troubled Families, Winter Pressures and Reablement grants reviews finalised.
M	General Advice	20	Ongoing throughout year	
M	Head of Audit Chargeable Against Plan	60	Ongoing throughout year	n/a
M	Assurance Mapping Review	5	Ongoing throughout year	n/a
M	Benchmarking Exercise	5	Completed	n/a
L	Contingency	75		n/a
Total - Ad Hoc Consultancy etc.		265		
TOTAL CHARGEABLE DAYS REQUIRED		1260		

This page is intentionally left blank

Appendix B

SPECIAL INVESTIGATIONS ARISING AND COMPLETED SINCE LAST COMMITTEE				
	Directorate/Area	Potential financial value/risk	Brief Details of Case	Outcome
1.	Children's Services	Low	Concerns were raised by a whistle blower in respect of improper study leave and the manner in which these concerns were left unresolved by managers.	The Learning and Development Policy is being reviewed. Human Resources have been informed of management issues arising from the investigation and remedial action has been taken where possible.
2.	Social Care, Health and Housing	Low	Management identified that some clients' funds were unaccounted for. Internal Audit supported the service area in undertaking a detailed review.	A Disciplinary Panel decided to dismiss the employee. The employee offered to pay back the £650 and this will be taken from his final salary.

This page is intentionally left blank

Central Bedfordshire Council

AUDIT COMMITTEE

12 January 2015

RISK UPDATE REPORT

Advising Officers:

Charles Warboys, Chief Finance Officer
(charles.warboys@centralbedfordshire.gov.uk)

Kathy Riches, Head of Internal Audit and Risk
(kathy.riches@centralbedfordshire.gov.uk)

Purpose of this report:

The purpose of this report is to give an overview of the Council's risk position as at December 2014.

RECOMMENDATION

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

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

2. 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.
3. The purpose of this report is to give an overview of the Council's risk position as at December 2014.

Strategic Risks

4. The Strategic Risk Register has been reviewed and updated in consultation with the Directorate Risk Co-ordinators.
5. The December risk report is contained at Appendix A. The report contains 12 strategic risks, each with a residual score of 9 or more. A

score of 9 or more generally represents an unacceptable risk exposure, with further mitigation required.

6. The risks have been reconsidered and the key revisions are set out below.
7. (STR0001), relating to the risks associated with significant reduction or redirection of funding has been updated to acknowledge the continuing financial pressures facing the Council. There has been no change to the residual risk score.
8. The Growth strategic risk (STR0003) has been reviewed and updated to reflect the formal submission of the Development Strategy to the Secretary of State in October 2014. The residual likelihood score has reduced from 4 to 3, resulting in an overall residual risk score of 12.
9. The residual risk scores for the Health and Safety risk (STR0006) have been reviewed. The impact score has reduced from 5 to 4, giving a residual score of 12, as a result of mitigating actions taken.
10. The ICT failure risk (STR0008) has been reviewed and the utilisation of Disaster Recovery experts to progress the finalisation of Business Continuity Plans and an IT Disaster Recovery Plan has been reflected. There is currently no change to the residual risk score, but the risk will be further reviewed to reflect the outcome of this work.
11. The risk associated with Partnerships (STR0009) has been reconsidered in detail and now focuses on the fragility of our partners as a result of the significant changes and pressures they face, including budgetary pressures, transfers of responsibilities, geographical factors, confusing accountabilities and increasing complexities. These factors increase the risks that services to our public could be compromised and that increased costs could fall on the Council. The inherent risk score is 16. Although a range of mitigating actions has been identified, the residual risk score is also currently 16.
12. STR0010 – Protecting Children – has been reviewed. The description has been amended to read “The failure to recruit and retain professional and qualified social workers and discharge the Council’s statutory safeguarding responsibilities”. There has been no change to the residual score.
13. The Information Management risk (STR0013) has also been reviewed. Although there has been no change to the residual risk score, the risk now acknowledges the requirement to comply with the Health and Social Care Information Centre Information Governance (HSCIC IG) Toolkit, and the action being taken to supply and submit the evidence required by the end of October 2015. This risk is currently under further review.

14. The mitigating actions for the Procurement risk (STR0022) have been updated, and reflect the work being undertaken to drive improvement. There has been no change to the residual risk score.
15. The risk relating to the potential loss of revenue/income generation within the Assets Disposal programme (STR0024)) has been reassessed. The inherent likelihood score has been reduced from 4 to 3, giving an overall inherent risk score of 15. The residual impact score has been reduced from 5 to 4, resulting in a residual risk score of 12. The revised scores reflect the perception of a more buoyant market.
16. Following discussions with senior managers, risk STR0025, relating to the failure of the effective transfer of the BUPA managed care homes to the Council, has been removed from the strategic risk register, as it is now considered to be an operational issue.
17. An additional strategic risk has been added to the register. This relates to risks associated with failing to adopt a Community Infrastructure Levy (CIL) by 6th April 2015 (STR0027), including the financial implications. It is anticipated that the CIL will be adopted in July/August 2015 following the adoption of the Development Strategy. The residual risk score is 16.
18. There are no revisions to the remaining strategic risks.

Operational Risks

19. 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.
20. The dashboard has listed the 7 operational risks with a risk score of 15 or above.

Emerging Risks

21. As reported to the last Committee, the Implementation of the Care Act will place significant pressures on the Council. Although this is not currently captured as a strategic risk a Project Initiation document (PID) for the work streams has been drafted. Once this is finalised, the strategic risk will be developed further and a score assigned.
22. Senior managers regularly consider emerging risks and the register will be revised and updated to reflect any significant issues identified as a result of these reviews.

Council Priorities

23. 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.

Corporate Implications

Legal Implications

24. There are no legal implications.

Financial Implications

25. There are no financial implications.

Equalities Implications

26. There are no equalities implications..

Conclusion and next Steps

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

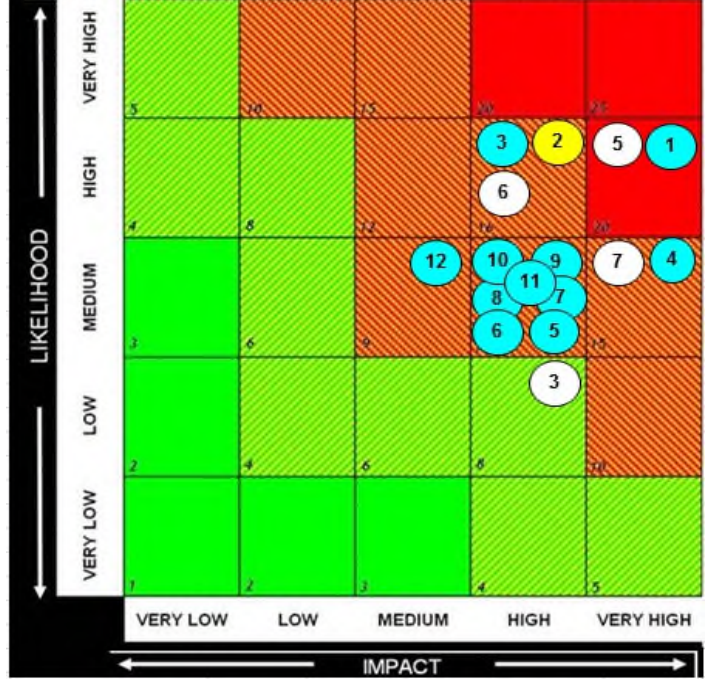
Appendices

Appendix A – December 2014 Risk summary dashboard.

Background Papers

None

CBC Strategic Risk Register Matrix - Residual Risk Rating



#	Reference	Nature of Risk	Key								
			2012/13		2013/14		2014/15				
			June	Aug	Nov	Mar	Dec	Mar	Sept	Dec	
1	STR0019	Failure to deliver effective and cohesive Health and Social Care to local residents.		15	15	15	15	15	15	20	20
2	STR0027	Failure to adopt a Community Infrastructure Levy (CIL) by 6th April 2015, including financial implications.									16
3	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.	8	8	8	8	8	8	8	8	16
4	STR0010	Failure to recruit and retain professional and qualified social workers and discharge the Council's statutory children's safeguarding responsibilities.	9	9	12	12	12	15	15	15	15
5	STR0024	Assets Disposal Programme - Failure to achieve capital receipts.								20	12
6	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	12
7	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	15	15	12	12
8	STR0008	Failure or disruption to key elements of core infrastructure (data centre, environment and networks) leading to no functionality for more than 24 hours.						16	15	12	12
9	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	15	15	12	12	12
10	STR0001	Continuing 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	10	12	12	12	12	12
11	STR0022	Failure to adhere to Procurement Rules.						12	12	12	12
12	STR0026	Deprivation of liberty safeguards: a failure to ensure that vulnerable peoples' liberty is not inappropriately denied.								9	9

Overview of Risk Position - December 2014

The risk with the highest residual score is: STR0019 - Failure to deliver effective and cohesive Health and Social Care to residents

The following risks have been rescored:
 STR0003 - Growth
 STR0006 - Health and Safety
 STR0009 - Fragility of partners/failure of partners
 STR0024 - Assets Disposal Programme

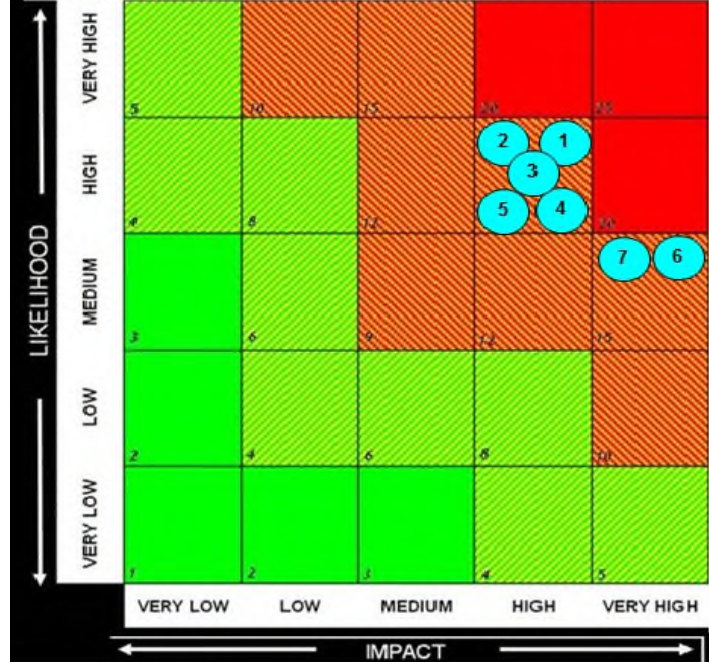
The following risk has been added:
 STR0027 - Failure to adopt a CIL by 6th April 2015

The following risk has been removed:
 STR0025 - Failure to deliver and effective transfer of the BUPA managed care homes.

Revisions to the descriptions or mitigating actions have been made to the following risks:
 STR0001 - Continuing significant reduction or redirection of funding
 STR0003 - Growth
 STR0008 - ICT Failure
 STR0009 - Fragility of partners/failure of partners
 STR0010 - Protecting Children
 STR0013 - Information Management
 STR0022 - Procurement

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

CBC Top Operational Risks - Residual Risk Rating



#	Reference	Nature of Risk	Key								
			2012/13		2013/14		2014/15				
			June	Aug	Nov	Mar	Dec	Mar	Sept	Dec	
1	SCH0004	Insufficient staff resources resulting in under or mis-direction of investment in the transformation of adult social care services.	16	16	16	16	16	16	16	16	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
3	SCH0008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda.	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
5	CHS0005	Failure to retain and recruit staff within the area of Children's Services.							16	16	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
7	LEG0001	Failure to provide effective legal support in respect of vulnerable children owing to lack of specialist staff.						15	15	15	15

Impact Score	Impact Title	Example Description
5	Catastrophic	Total system dysfunction, total shutdown of operations, financial loss over £5m, key person resignation/removal, sustained adverse publicity in national media, fatality or permanent disability
4	Severe	All operational areas of a location compromised, other locations may be affected, financial loss up to £5m, sustained adverse publicity in national media, greater than 6 months absence for more than 5 people (single event)
3	Major	Disruption to a number of operational areas within a location and possible flow on to other locations, financial loss up to £1m, significant adverse publicity national media, greater than 20 days absence for more than 5 people (single event).
2	Reasonable	Some disruption manageable by altered operational routine, financial loss up to £250k, significant adverse publicity in local media, short term absence for up to 5 people (single event)
1	Low	Minimal interruption to service, financial loss up to £100k, Minor adverse publicity in local media, short term absence for up to 5 people (single event)

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

Key

New Risk ●

Current Position ●

Previous Position ○

This page is intentionally left blank

Central Bedfordshire Council

AUDIT COMMITTEE

12 January 2015

TRACKING OF INTERNAL AUDIT RECOMMENDATIONS

Advising Officers:

Charles Warboys, Chief Finance Officer
(charles.warboys@centralbedfordshire.gov.uk)

Kathy Riches, Head of Internal Audit and Risk
(kathy.riches@centralbedfordshire.gov.uk)

Purpose of this report:

This report summarises the high priority recommendations arising from Internal Audit reports and sets out the progress made in their implementation.

RECOMMENDATION

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

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

2. 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.
3. 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.
4. 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

5. 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.
6. As has been reported to previous Committees, work is in progress to address this. There were a number of actions required to fully implement this recommendation. The progress against each of these elements is tracked at Appendix A. The progress made since the last Committee has been highlighted. In summary, Emergency Planning have been working with directorates to develop updated Business Impact Assessments (BIAs) and IT have engaged IT Disaster Recovery experts to assist with the prioritisation and analysis of dependencies between systems (see also Risk Update Report – reference STR0008).
7. There are no outstanding audit recommendations relating to reports issued during 2010/11, 2011/12 or 2012/13.
8. Thirteen reports containing high priority recommendations were issued during 2013/14. These are summarised in Appendix B. Twenty high priority recommendations were made. Appendix C provides the details of the three recommendations that are running behind planned completion dates.
9. Since 1st April 2014 five reports have been issued containing high priority recommendations. Fourteen high priority recommendations have been made. These are summarised at Appendix D. Three recommendations are running behind the planned implementation date and the details of these are set out in Appendix E.
10. 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.
11. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the fundamental system audit reviews.

Future Monitoring

12. 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.

Council Priorities

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

Corporate Implications

Legal Implications

14. There are no legal implications.

Financial Implications

15. 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.

Equalities Implications

16. There are no equalities implications.

Conclusion and next Steps

17. In total there are currently seven high priority recommendations that are amber (underway, with deadline missed).
18. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.
19. This continuous tracking and reporting of progress on Internal Audit inspections to the Audit Committee ensures that the Committee has the means to monitor how effectively the high priority recommendations have been implemented.

Appendices

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

Appendix B - Summary of monitoring of High Priority Internal Audit recommendations - Reports issued during 2013/14

Appendix C – Details of recommendations made during 2013/14 that remain outstanding

Appendix D - Summary of monitoring of High Priority Internal Audit recommendations - Reports issued during 2014/15

Appendix E - Details of recommendation made during 2014/15 that remains outstanding

Background Papers

None

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 Technology's Senior Management Team (ITSMT).</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 Technology's (IT) 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 IT's DRP.</p> <p>Emergency Planning to work with Directorates on BCP's and those agreed BCP's should inform the IT DRP. A DRP to reflect BCP priorities as agreed by Senior Management. IT will meet with Emergency Planning and work with them</p>	<p>Once Service area/Directorates have agreed and approved BCP's</p>

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
	<p>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 June Committee Meeting held with Emergency Planning. Emergency Planning are working on this and are actively developing process and templates. IT have helped with this activity by providing a Business Impact Assessment (BIA) template, and will be helping with further templates including the BCP.</p> <p>Update since September Committee Emergency Planning has worked extensively with Directorates to develop robust BIAs which will inform BCPs and the IT DRP. IT have been taking advice from Sungard (DR Experts) on prioritisation and analysis of dependencies between systems.</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 IT DRP. Ensure that roles and responsibilities are clearly identified and agreed. IT to agree with Emergency Planning Team roles and responsibilities and update IT 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 June Committee Information Technology's Management Team (ITSMT) is working on this as part of the DR procedures, once the list is complete it will be reviewed with Emergency Planning.</p> <p>Roles and responsibilities are defined within the DRP and have been agreed by ITSMT.</p>	<p>March 2014</p> <p>Complete</p>

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
<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 ITSMT 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 June Committee A Decision tree has been developed and has been signed off by ITSMT.</p>	Complete
<ul style="list-style-type: none"> escalation procedures 	<p>Escalation procedures will be developed in-line with IT Structure and will be aligned with capabilities, knowledge and skill sets. See above.</p> <p>Update since June 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>Update since September Committee Emergency Planning has worked extensively with Directorates to develop robust BIAs which will inform BCPs and the IT DRP</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 June Committee The Salvage processes are currently being devised and will be presented to ITSMT.</p>	March 2014

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
<ul style="list-style-type: none"> the recovery and reconfiguration of all IT and communication systems 	<p>IT'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 IT'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 IT'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 IT's. Signed off by Information Technology's Senior Management Team.</p> <p>RTO's to be developed and included in IT's DRP once recovery matrix is signed off and included.</p> <p>Update since June Committee RTO's have been included as a section within the BIA's, the Service Area's need to complete these in order for IT to include in it's DRP.</p> <p>Update since September Committee RTO's have been included as a section within the BIA's; the Service Area's have been completing these as part of the BIA exercise above. They will then be included in IT's DRP. Completion of this recommendation is reliant on Service areas/Directorates.</p>	<p>Once Service areas/Directorates have agreed and approved BCP's</p>
<ul style="list-style-type: none"> 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 June Committee Emergency Planning have confirmed that there is no funding for DR, and should DR be invoked the funds will be found corporately. It has been confirmed with the Chief Finance Officer (CFO) that DR funds are not available. In the event of a disaster corporate funds will be made available.</p> <p>This recommendation is reliant on Service areas/Directorates.</p>	<p>Once Service areas/Directorates have agreed additional funds</p> <p>Complete</p>

Recommendation	Current Position and Explanation for Slippage:	Target Dates:
<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 June Committee Detailed test plan is being produced and will be signed of by ITSMT at the end of March.</p> <p>Internal data centres have moved to externally hosted sites which are in-line with SAS-70 and/or BS-25999. The final data centre move was able to be moved forward.</p>	<p>March 2014</p> <p>March 2014</p> <p>Complete</p>

This page is intentionally left blank

Details of Monitoring of High Risk Internal Audit recommendations as at End November 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 C 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	1	0	0	0	0	
Main Accounting System Phase 1 2013-14	06/02/2014	31/03/2014	1	0	0	1	0	0	Rec 1
Total			4	3	0	1	0	0	

SOCIAL CARE, HEALTH & HOUSING

Name	Date of Report	Original Expected completion of all Recommendations (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Ongoing - with deadline missed AMBER	No work started - within target GREEN	No work started - target missed RED	App C 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	3	0	0	0	0	
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	31/01/2014	1	1	0	0	0	0	
Housing Repairs Commissioning 2013-14	24/03/2014	30/09/2014	1	0	0	1	0	0	Rec 2
Total			10	9	0	1	0	0	

**Details of Monitoring of High Risk Internal Audit recommendations as at End November 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 C ref
SAP Access and Security 2012-13	04/11/2013	30/04/2014	2	2	0	0	0	0	
Payroll Phase 1 13-14	20/02/2014	30/04/2014	1	1	0	0	0	0	
VfM Review of External Legal Services	11/02/2014	31/05/2014	3	2	0	1	0	0	Rec 3
Total			6	5	0	1	0	0	

Appendix C

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

Finance

Main Accounting System Phase 1 2013/14

<p>Recommendation R1: The process for recording journals electronically, and performing monthly reconciliations of postings to SAP should be reviewed.</p>
<p>Rationale for Recommendation: There was no evidence to support 1 of 15 journals sampled. It is recognised that this journal was then reversed and therefore there was nil budget effect, however supporting documentation was not available in respect of the original journal, value £423k.</p> <p>2 of 15 journals sampled were authorised by the appropriate officer after the journal was posted to SAP. A review of journals prepared by officers in the Financial Control team found that no journal log was maintained or that monthly reconciliations of journals to SAP were undertaken. It was also noted that supporting documents relating to journals were not always found in the journal folder and hyperlinks within 2 emails were broken.</p> <p>The testing period for Phase 2 of the audit covered November 2013 to February 2014, and a similar finding to Phase 1 was noted, with the Phase 1 recommendation still applicable.</p>
<p>Target Dates: 31st March 2014 30th September 2014 31st March 2015</p>
<p>Current Position and Explanation for Slippage:</p> <p>Manual General Ledger journal entries made by Finance staff are an important process for both financial and management accounting functions. The misstatement of the accounting records can be facilitated by the use of manual accounting journal entries and this important risk is recognised by the degree of external audit testing of journal entries.</p> <p>This internal audit recommendation identified an inconsistent application of the existing financial procedures in respect of manual journals across the finance teams. No erroneous journal entries were identified.</p> <p>An examination by finance officers of appropriate controls and procedures in respect of journals has been ongoing during 2014 alongside a consideration of the extent to which manual journal entry is being applied, particularly within the Council's management accounting process. Other priorities have meant that the work in respect of manual journals did not complete by 30th September 2014. It is expected that the results will have been reviewed in December 2014 and any recommendations approved by the Chief Finance Officer will be implemented by March 2015.</p>

Social Care, Health and Housing

Housing Repairs Commissioning

<p>Recommendation R2: Housing Repairs expenditure in QL and SAP should be regularly reconciled.</p>
<p>Rationale for Recommendation: There is no reconciliation between Housing Repairs expenditure in QL and SAP.</p> <p>Actions to resolve this are defined within an invoice review process. Three specific objectives are to be achieved:</p> <ol style="list-style-type: none">1) A robust interface between the SAP system and the QL system, so that these systems effectively function as one system within the Invoice Process.2) A business process that includes pre-payment on account (subject to reconciliation) related to invoicing where work supplied is goods receipted and approved for payment, concurrent with the contractors process to provide an invoice for payment.3) Updated procedures which define management accountability, including delegation of task related authority, to ensure that a robust reconciliation of Repairs works to invoices takes place.
<p>Target Dates: End September 2014 End March 2015 (revised)</p>
<p>Current Position and Explanation for Slippage:</p> <p>Development of the SAP/QL interface has been delayed but Housing Services is on target to meet the March 2015 deadline. Testing of the SAP/QL link is currently taking place. Early indications are that the link is successful. Work will shortly commence on the business processes and procedures to enable a full reconciliation to take place by March 2015.</p>

Improvement and Corporate Services

Value for Money Review of External Legal Services

Recommendation R3:

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.

Rationale for Recommendation:

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.

Target Dates:

End March 2014 (revised)
End August 2014 (revised)
End November 2014 (revised)
End March 2015

Current Position and Explanation for Slippage:

With the corporate directive to become more commercial Legal are working on a slimmed down version of the SLA that can be used corporately with our CBC clients as well as being used with our external clients. This SLA will be used in conjunction with a suit of documents that provide evidence of instructions and authorisation (instructions proforma) and our confirmation of what service we are going to provide (client care letter/memo). The intention is for this to have been completed by the financial year end.

This page is intentionally left blank

Details of Monitoring of High Risk Internal Audit recommendations as at End November 2014 Reports issued during 2014/15

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 E ref
Direct Payments Proactive Anti- fraud	15/04/2014	01/04/2015	1	0	1	0	0	0	
Total			1	0	1	0	0	0	

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 E ref
A review of Council procedures relevant to the employment of contractors and consultants	17/04/2014	31/07/2014	8	7	0	1	0	0	Rec 1
Teachers Pensions	28/08/2014	30/09/2014	2	0	0	2	0	0	Rec 2 &3
ICT Governance Phase 2	18/11/2014	31/03/2015	1	0	0	0	1	0	
Total			11	7	0	3	1	0	

**Details of Monitoring of High Risk Internal Audit recommendations as at End November 2014
Reports issued during 2014/15**

COMMUNITY 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 E ref
Section 278 Agreements	11/12/2014	31/03/2015	2	0	2	0	0	0	
Total			2	0	2	0	0	0	

Central Bedfordshire Council

AUDIT COMMITTEE

12 January 2015

WORK PROGRAMME

Advising Officers:

Mel Peaston, Committee Services Manager
(mel.peaston@centralbedfordshire.gov.uk)

Leslie Manning, Committee Services Officer
(leslie.manning@centralbedfordshire.gov.uk)

Purpose of this report

The purpose of this report is to assist the Audit Committee in discharging its responsibilities by providing a proposed work programme for consideration.

RECOMMENDATION

That the Committee considers the proposed work programme attached at Appendix A.

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

2. To assist the Audit Committee a work programme is attached at Appendix A to this report. The work programme contains the known agenda items that the Committee will need to consider.
3. Additional items will be identified as the municipal year progresses. The work programme is therefore subject to change.

Council Priorities

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

Corporate Implications

Legal Implications

5. There are no legal implications.

Financial Implications

6. There are no financial implications.

Equalities Implications

7. There are no equalities implications.

Conclusion and next Steps

8. This report will assist the Audit Committee in discharging its responsibilities. Any amendments approved by the Committee will be incorporated in the work programme.

Appendices

Appendix A – Audit Committee Work Programme

Background Papers

None

Appendix A

Audit Committee Work Programme

2014/15 Municipal Year	
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) • 2013/14 Audit Scale Fee – Late Variation (MW) • External Audit Progress Report (MW) • Local Government Pension Scheme 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) • Risk Update Report (KR) • Tracking of Audit Recommendations (KR) • Internal Audit Progress Report (KR) • 2015/16 Internal Audit Plan (KR) • Annual Counter Benefit Fraud Update (GM) • Work Programme (LM)
2015/16 Municipal Year	
29 June 2015 (proposed date)	<ul style="list-style-type: none"> • Statement of Accounts 2014/15 (presentation) (NV/RG) • Annual Audit and Certification Fees 2015/16 (MW) • Annual Governance Statement 2014/15 (MC) • Local Government Pension Scheme Update (RG) • Internal Audit Annual Audit Opinion (KR) • Tracking of Audit Recommendations (KR) • Work Programme (LM)
28 September 2015 (proposed date)	<ul style="list-style-type: none"> • Statement of Accounts 2014/15 (CW) • Audit Results Report 2014/15 (MW) • EY Local Government Audit Committee Briefings (MW) • Risk Update Report (KR) • Tracking of Audit Recommendations (KR) • Internal Audit Progress Report (KR) • Work Programme (LM)

This page is intentionally left blank