

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 16 June 2016

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Monday, 27 June 2016 2.00 p.m.

Venue at

Room 14, Priory House, Chicksands, Shefford

Richard Carr
Chief Executive

PLEASE NOTE THE START TIME

To: The Chairman and Members of the AUDIT COMMITTEE:

Cllrs M C Blair (Chairman), D J Lawrence (Vice-Chairman), P Downing,
F Firth, R Morris, D Shelvey and A Zerny

[Named Substitutes:

Cllrs R D Berry, D Bowater, Mrs J G Lawrence 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 4 April 2016 (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.	Central Bedfordshire Council Unaudited Statement of Accounts 2015/16 To receive a presentation on the unaudited Statement of Accounts for 2015/16.	
8.	Annual Audit and Certification Fees 2016/17 To consider a letter from Ernst & Young LLP to the Chief Executive of Central Bedfordshire Council confirming the audit and certification work that the company proposes to undertake for the 2016/17 financial year and the related fees.	* 17 - 22

- | | | |
|-----|--|-------------|
| 9. | External Audit Progress Report | * 23 - 32 |
| | To consider a report from Ernst & Young LLP which provides a summary of the progress made by the company in delivering the 2015/16 Audit Plan. | |
| 10. | Central Bedfordshire Council - Public Interest Disclosure regarding the Partnership the Council has entered into for Legal Services | * 33 - 38 |
| | To consider a letter from Ernst & Young LLP to the Chief Executive of Central Bedfordshire Council summarising the company's findings and conclusions following a review into the Council's arrangements for the procurement of legal services. | |
| 11. | Annual Governance Statement 2015/16 | + To Follow |
| | To consider the draft Annual Governance Statement for 2015/16. | |
| 12. | Local Government Pension Scheme Update | * 39 - 46 |
| | To consider an update on the governance of the Local Government Pension Scheme. | |
| 13. | Appointment of the Council's External Auditors following the Expiry of the Current Contract | * 47 - 54 |
| | To consider a summary of the changes to the arrangements for the appointment of External Auditors following the closure of the Audit Commission and the end of the transitional arrangements together with the options available for arranging the first appointment of an External Auditor by 31 December 2017. | |
| 14. | 2015/16 Internal Audit - Annual Audit Opinion | * 55 - 80 |
| | To consider the annual report to those charged with governance on the overall adequacy and effectiveness of Central Bedfordshire Council's financial and other management internal controls. | |
| 15. | Risk Update Report | * 81 - 88 |
| | To consider an overview of the Council's risk position as at June 2016. | |

16. **Tracking of Internal Audit Recommendations** * 89 - 98

To consider a summary of high priority recommendations arising from Internal Audit reports together with the progress made in their implementation.

17. **Work Programme** * 99 - 102

To consider the Audit Committee's work programme.

This page is intentionally left blank

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 14, Priory House, Monks Walk, Shefford on Monday, 4 April 2016

PRESENT

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

Cllrs P Downing
R Morris

Cllrs D Shelvey
A Zerny

Members in Attendance: Cllr F Firth

Officers in Attendance: Mr R Gould Head of Financial Control
Mrs J Luckman Fraud, Welfare & Partnerships
Manager
Mr L Manning Committee Services Officer
Mr G Muskett Head of Revenues & Benefits
Ms K Riches Head of Internal Audit & Risk
Mr C Warboys Chief Finance Officer

Others In Attendance: Ms C Ryan Manager – Ernst & Young LLP

AUD/15/40 Minutes

RESOLVED

that the minutes of the meeting of the Audit Committee held on 11 January 2016 be confirmed and signed by the Chairman as a correct record.

AUD/15/41 Members' Interests

None.

AUD/15/42 Chairman's Announcements and Communications

The Chairman welcomed Carol Ryan from Ernst & Young LLP to her first meeting of the Committee. He added that Ms Ryan's colleague, Neil Harris, was unable to be present because his attendance was required at another meeting.

AUD/15/43 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.

AUD/15/44 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.

AUD/15/45 External Audit Plan 2015/16

Members considered a report from Ernst & Young LLP which set out the company's 2015/16 Audit Plan for the Council, based on an analysis of the financial, strategic and operational risks faced by the authority. The Plan detailed the approach to be taken by Ernst & Young to the audit of the Council's 2015/16 financial statements and to providing a value for money conclusion on the adequacy of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Committee noted that the audit approach and scope would be in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by the Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It was also to ensure that Ernst & Young's audit was aligned with the Committee's service expectations.

The Audit Plan summarised the company's initial assessment of the key risks which drove the development of an effective audit for the Council and outlined the company's planned audit strategy in response to those risks.

The Ernst & Young Manager introduced the report and highlighted particular issues for Members' attention. Under 'Other Matters' (Part 3 – Significant value for money risks) she referred to the public interest disclosure from a whistle blower regarding the approach taken by the Council to its procurement of legal services. The Committee noted that at the meeting of the Council's Executive on 12 January 2016 (minute E/15/89 refers) the Chief Executive had explained that the Council had received notification of the whistle blower's concerns through the National Audit Office and that the Council's external auditors had been tasked with investigating them.

The Ernst & Young Manager explained that the company had welcomed the Council's positive response to the company's investigation procedure and the authority was known to be considering the lessons which had been identified so far. She added that it had been hoped to submit a letter setting out the outcome of the company's work to the meeting but this was yet not ready.

In response to a Member's query regarding the whistle blower the Chief Finance Officer stated that the complaint had been received through the National Audit Office and passed to Ernst & Young as the Council's external auditors. As such it was extremely doubtful whether the whistle blower's identity was known within the Council. The Chief Finance Officer then explained that the whistle blower's concerns related to the procurement process undertaken by the Council for the provision of shared legal services through LGSS Law Ltd and whether external legal advice had been sought on this. The Chief Finance Officer confirmed that it had. He added that the Council had followed the correct procedure but, unfortunately, this had not been fully documented. He reminded the meeting however, that this was the first time that the Council had undertaken such a process and, if it was to occur again, any lessons would be applied. He concluded by stating that the letter containing the final outcome from Ernst & Young was expected shortly.

NOTED

the external Audit Plan for the year ending 31 March 2016.

(Note: Minute AUD/15/53 below also refers).

AUD/15/46 Annual Counter Fraud Update

The Committee considered a report which provided an update on the work of the Council's Corporate Fraud Investigation Team (CFIT) and the main work areas for the new municipal year.

Members were reminded that responsibility for investigating Housing Benefit fraud passed to the Department for Work and Pensions (DWP) Single Fraud Investigation Service (SFIS) on 1 May 2015 and that CFIT was formed on this date. The Committee noted that the following areas of work had remained with the Council:

- Local Council Tax Scheme reduction fraud investigations
- The compilation of information and evidence requested by the DWP in support of a fraud investigation by SFIS
- Amendment to any Housing Benefit claims and the collection of any overpayments
- Participation in the National Fraud Initiative (NFI) for both benefits and Council Tax
- Corporate fraud and error investigations, including tenancy fraud, Council Tax discount fraud and Business Rates avoidance.

CFIT's initial focus during its first year had been on team building, raising awareness of corporate fraud and establishing internal and external partnerships. However, a range of counter fraud work had been carried out and the Head of Revenues and Benefits referred to four recent case studies which provided examples of this. The meeting was advised that, with regard to the first example, which related to a Council tenant illegally sub-letting her

property before purchasing it, the tenant had pleaded guilty and had received a ten month suspended sentence, been required to pay £2,500 costs and return the property to the Council. In reply to a Member's query the Fraud, Welfare and Partnerships Manager stated that the case had been publicised through a press release and she was personally aware that it had been reported on several occasions on Three Counties Radio.

The Head of Revenues and Benefits drew the Committee's attention to the following main work areas, to be jointly delivered by CFIT and Internal Audit, for 2016/17:

- Local Council Tax Support (LCTS) fraud
- Housing fraud
- Blue Badge fraud
- Continued fraud awareness across the Council
- Disabled Facilities Grants, Direct payments and care home fees
- School Admissions
- Council Tax and Business Rates fraud
- Proactive Counter Fraud work

In reply to Members' queries regarding access to the full range of background data on claimants, the Head of Revenues and Benefits and the Fraud, Welfare and Partnerships Manager described the various sources that could be used, on a case by case basis, and the team's relationship with particular bodies. In response to a further query regarding operational security and the use of an information analyst the Fraud, Welfare and Partnerships Manager set out the team's operational procedures and the security measures that were taken whilst the Head of Revenues and Benefits explained that consideration was being given to making use of a single, well defined version of the data held in the form of a 'golden record' for analytical purposes.

Given CFIT's success in recovering monies obtained by fraudulent means a Member asked whether an increase in staff numbers could generate the recovery of even larger amounts of money. Discussion followed during which the Chief Finance Officer explained that additional staff had already been, or were in the process of being, appointed in other areas within Revenues and Benefits. Whilst he could not reject the possibility of further appointments to CFIT he stressed that the team was only a year old. In addition, forthcoming changes to Housing Benefits meant the future workload levels for Housing Benefits Officers were uncertain and an opportunity to transfer staff to CFIT might arise.

In conclusion, and on behalf of the Committee, the Chairman congratulated the Head of Revenues and Benefits and his team for the excellent results arising from the team's first year of operation. He asked that the report be made available to all Members through the Members' Bulletin.

NOTED**the update on the work of the Corporate Fraud Investigation Team for 2015/16 and the main areas of work identified for 2016/17.****AUD/15/47 Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments**

The Committee considered a report which provided an update on the operation of the current Risk Based Verification (RBV) Policy and sought the Committee's approval of a new Policy for the coming year. A copy of the proposed Housing Benefit and Local Council Tax Support Verification Policy 2016/17 was attached as an exempt document at Appendix A to the report.

The Head of Revenues and Benefits introduced the report, drawing Members' attention in particular to the effectiveness of RBV since its introduction in April 2015. The meeting noted that the actual risk scores awarded to the three categories of claim (high, medium and low) for the period 1 April 2015 to 29 February 2016 had fallen outside those forecast. The Council's RBV software supplier had stated that the variation in risk scores was quite normal as the original distribution percentage had been calculated in 2011 when RBV was introduced nationally. However, due to changes in demographics over the last four years, and specifically the increase in the number of in-work claims, there had been an increase in the number of high risk cases. This had led to the difference between the estimated and the actual risk scores and skewed results.

In reply to Members' questions regarding the approach taken towards claimant errors the Head of Revenues and Benefits explained that an individual claimant's personal circumstances were fully considered during the assessment process before implementing any response to an error. The Chief Finance Officer added that the Council would not take action against a claimant who had made a genuine error when submitting their claim. The Head of Revenues and Benefits stated that if an error was discovered and a claimant had been overpaid then he or she would be sent an invoice for the amount. Alternatively, if that person was still in receipt of a benefit then a sum would be deducted from their benefit before payment was made.

The Head of Revenues and Benefits referred to the trial undertaken to increase error detection and outlined how this would be extended so that a full review of all category 1 high risk cases was undertaken during 2016/17. The Committee noted that additional staff, employed on a temporary six month basis and funded by a Department for Work and Pensions (DWP) grant, would be employed to carry out the review.

Turning next to performance the Head of Revenues and Benefits reported that an improvement in process times for new claims had not been forthcoming, mainly because staff were taking longer than anticipated to familiarise themselves with the new on-line claim forms and RBV software coupled with the relatively low number of claims made on-line. This situation was expected

to improve in 2016/17 once the new processes were established and following the introduction of an on-line 'change in circumstance' form in May.

RESOLVED

that the proposed Housing Benefit and Local Council Tax Support (Risk Based) Verification Policy 2016/17, as attached at exempt Appendix A to the report of the Chief Finance Officer, be approved and adopted.

(Note: Minute AUD/15/54 below also refers).

AUD/15/48 2016/19 (3 Year) Internal Audit Plan

Consideration was given to a report which presented the proposed Internal Audit and Risk 2016-19 Audit Plan for the three year period covering 2016-2019. A copy of the proposed Plan was attached at Appendix A to the report.

Members noted that the Public Sector Internal Auditing Standards, effective from 1 April 2013, required the Head of Internal Audit and Risk to establish a risk based plan to determine the priorities of internal audit activity, consistent with the organisation's goals. The Plan should be supported by a documented risk based assessment, giving consideration to the input of senior management. The Audit Committee had subsequently approved what was then the Strategic Audit Plan for the three year period 2013–2016 at its meeting on 8 April 2013 (minute A/13/45 refers).

The Committee noted that the proposed new Plan before the meeting had been produced following discussion with senior officers and that, whilst the content for the year 2016/17 was detailed, the content for the years 2017/18 and 2018/19 was less detailed. However, it would be reviewed and updated each year to ensure it remained relevant.

The Head of Internal Audit and Risk emphasised that, in preparing the Plan, consideration had been given to the requirement for the Head of internal Audit and Risk to deliver an annual internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

In response to a comment by the Chairman, and in view of the government's policy to convert all remaining schools into academies, the Head of Internal Audit and Risk confirmed that a substantial commitment to undertake audit work for schools remained over the period that the Plan covered.

In reply to further queries from Members the Head of Internal Audit and Risk explained that each audit was usually undertaken by more than one member of staff and that provision had been included within the allocated time scales for staff absences, training and so forth.

RESOLVED

that the proposed Internal Audit and Risk 2016-2019 Audit Plan be approved.

AUD/15/49 Outcome of the External Assessment of Internal Audit by CIPFA against the Public Sector Internal Audit Standards (PSIAS)

The Committee considered a report on the outcome of the external assessment of the Council's Internal Audit team by the Chartered Institute of Public Finance and Accountancy (CIPFA) against the Public Sector Internal Audit Standards (PSIAS) 2013.

The meeting noted that the Accounts and Audit Regulations stated that Internal Audit should conform to 'proper practices' and the current proper practice was set out in the PSIAS. These Standards required periodic self-assessments and an assessment by an external, independent and appropriately qualified person every five years. CIPFA, which had experience in this area, was appointed to carry out the assessment which took place during January 2016.

A copy of the final report and associated action plan from CIPFA was attached at Appendix A to the Chief Finance Officer's report.

Members noted that, of the twelve standards assessed, it was found that Internal Audit was fully compliant with ten. Four minor areas of partial non-compliance had been identified and all of these issues had since been addressed. Two further lower priority suggestions had been made to improve compliance. These had also been implemented so that Internal Audit was now fully compliant.

Following discussion the Chairman, on behalf of the Committee, expressed congratulations to the Head of Internal Audit and Risk and her team for their work in insuring that the Council met the PSIAS.

NOTED

the outcome of the external assessment of the Internal Audit team by the Chartered Institute of Public Finance and Accountancy against the Public Sector Internal Audit Standards.

AUD/15/50 Internal Audit Progress Report

The Committee considered a report outlining the progress made on Internal Audit work against the 2015/16 Audit Plan up to the end of February 2016.

The following matters were considered:

- Background
- Fundamental System Audits
- Other Audit Work

- Schools
- External Assessment of Internal Audit against the Public Sector internal Audit Standards
- Performance Management

The Head of Internal Audit and Risk introduced the report and highlighted matters of particular interest.

NOTED

the progress made against the 2015/16 Internal Audit Plan.

AUD/15/51 Risk Update Report

The Committee considered a report which provided an overview of the Council's risk position as at March 2016.

The Head of Internal Audit and Risk introduced the report, including the Risk Register Dashboard attached at Appendix A to the report. The Committee noted that a fundamental review of the Risk Register had taken place in February following the Spending Review announcement and the Local Finance Settlement. Members also noted that further detailed work was in progress and the outcome would be reported to the meeting of the Committee in June. As a result of the ongoing work no revisions had been made to either the current Strategic Risk Register or the Operational Risk Register at this point.

A Member expressed concern regarding Strategic Risk STR0019 (Failure to deliver effective and cohesive Health and Social Care to local residents) which had been assessed as 'almost certain' with a 'catastrophic' impact level. He reminded the meeting that he had drawn attention to this Strategic Risk two months ago but, contrary to the promises given, the report before Members contained little additional information and no specific remedial action. In response the Head of Internal Audit and Risk suggested that the Member's concerns could be reported to the Director of Social Care, Health and Housing and she be invited to respond to the next Audit Committee in June. However, the Member felt that this would result in too great a delay given the urgency of the issue. Following discussion it was suggested that the Member's concerns be referred to the Social Care, Health and Housing Overview and Scrutiny Committee instead. Another Member, speaking as the Vice-Chairman of the Overview and Scrutiny Committee, undertook to raise the matter with the Director of Social Care, Health and Housing.

Arising from a Member's query the meeting turned to consider Strategic Risk STR0008 (Failure or disruption to key elements of core infrastructure (data centre, environment and networks) leading to no functionality for more than 24 hours). Members were aware that three high priority recommendations relating to Information Technology Disaster Recovery had arisen from an Internal Audit review and were featured in item 14 (minute AUD/15/52 below refers) and that the IT Disaster Recovery plan had yet to be completed. Following discussion on the status of this Strategic Risk and whether it should be revised the Head

of Internal Audit and Risk reminded the meeting that the fundamental review was still ongoing and the outcome would be reported to the June meeting.

NOTED

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

AUD/15/52 Tracking of Internal Audit Recommendations

The Committee considered a report which summarised the high priority recommendations arising from Internal Audit Reports and the progress made in implementing them.

Members discussed the progress made in developing and approving the Information Technology Disaster Recovery Plan and expressed some concern at the delays experienced.

RESOLVED

that the Chief Information Officer be invited to attend the Audit Committee on 26 September 2016 to provide an update on the progress made in developing and approving the Information Technology Disaster Recovery Plan.

AUD/15/53 Work Programme

Members considered a report which set out the Committee's work programme for the last part of the 2015/16 municipal year and the proposed work programme for the whole of the 2016/17 municipal year.

The Chairman drew Members' attention to the meeting scheduled for 27 June 2016 and advised them that the meeting would start at 2.00 p.m. rather than the usual start time of 10.00 a.m. The Committee Services Officer then informed Members that the June meeting would be held in Room 14 and not the Council Chamber, which was the usual venue for the Committee when the annual presentation on the Statement of Accounts was made. The Committee Services Officer explained that the Chamber was in use by an Overview and Scrutiny Committee and so it had not been possible to use it. He added that Room 14 should be sufficiently large enough to accommodate both the Committee and those other Members who attended in order to participate in the presentation.

Arising from the above discussion the Chairman asked that the layout of the Room's tables be optimised for the meeting and that both display screens be used to ensure Members could clearly follow the presentation.

The Chairman then sought guidance from Members on what they would wish to see as the theme of the presentation. Following discussion on possible

content, including capital receipts and how they were accounted for and reflected in the accounts, the Chairman undertook to liaise with the Chief Finance Officer and Head of Financial Control over the format.

The Head of Internal Audit and Risk advised that, in addition to those items already listed for June she would also be submitting a report on the appointment of external auditors once Ernst & Young’s contract expired and a risk update report. The Ernst & Young representative stated that the company’s response to the public interest disclosure from a whistle blower regarding the Council’s approach to the procurement of its legal services would shortly be issued in the form of a letter but the company also intended to submit it to the June meeting for the Committee to consider formally.

NOTED

that the Chairman of the Audit Committee will liaise with the Chief Finance Officer and Head of Financial Control regarding the format of the presentation on the Statement of Accounts 2015/16 at the Committee’s meeting on 27 June 2016.

RESOLVED

that the proposed Audit Committee work programme for the 2016/17 municipal year, as attached at Appendix A of the report of the Committee Services Manager and Committee Services Officer, be approved subject to the following additions to the meeting on 27 June 2016:

- **Appointment of external auditors following the completion of the contract with Ernst & Young LLP (Head of Internal Audit and Risk)**
- **Risk Update (Head of Internal Audit and Risk)**
- **Response to the concerns expressed by a whistle blower over the Council’s procurement of its legal services (Director – Ernst & Young LLP).**

AUD/15/54 Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments

Minute A/15/47 above also refers.

(Note: The meeting commenced at 10.00 a.m. and concluded at 11.55 a.m.)

Chairman

Dated

Central Bedfordshire Council

Audit Committee

27 June 2016

Annual Audit and Certification Fees 2016/17

Report of Ernst & Young LLP

Neil Harris, Executive Director

Purpose of this report

The purpose of the attached letter from Ernst & Young LLP to the Chief Executive of Central Bedfordshire Council is to confirm the audit and certification work that the company proposes to undertake for the 2016/17 financial year and set out the related fees.

This page is intentionally left blank



Richard Carr
Chief Executive
Central Bedfordshire Council
Priory House
Monks Walk
Chicksands
Shefford
Bedfordshire
SG17 5TQ

24 March 2016

Ref: 17/CBC/Fee letter

Direct line: 01223 394549

Email: nharris2@uk.ey.com

Dear Richard

Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Central Bedfordshire Council.

Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts

For at Central Bedfordshire Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;

- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £
Total Code audit fee	139,466	139,466
Certification of housing benefit subsidy claim	24,908	26,910

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

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £34,866.50 and the certification fee in 4 quarterly instalments of £6,227.

Audit plan

Our plan is expected to be issued in March 2017. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Finance Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

Audit team

The key members of the audit team for the 2016/17 financial year are:

Neil Harris

Director

NHarris2@uk.ey.com

Carol Ryan

Senior Manager

CRyan2@uk.ey.com

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

Yours faithfully



Neil Harris

Director

For and on behalf of Ernst & Young LLP

cc. Charles Warboys, Chief Finance Officer
Councillor Blair, Chair of the Audit Committee

This page is intentionally left blank

Central Bedfordshire Council

Audit Committee

27 June 2016

External Audit Progress Report

Report of Ernst & Young LLP

Neil Harris, Executive Director

Purpose of this report

The purpose of the report is to provide a summary of the progress made by Ernst & Young LLP in delivering the 2015/16 Audit Plan.

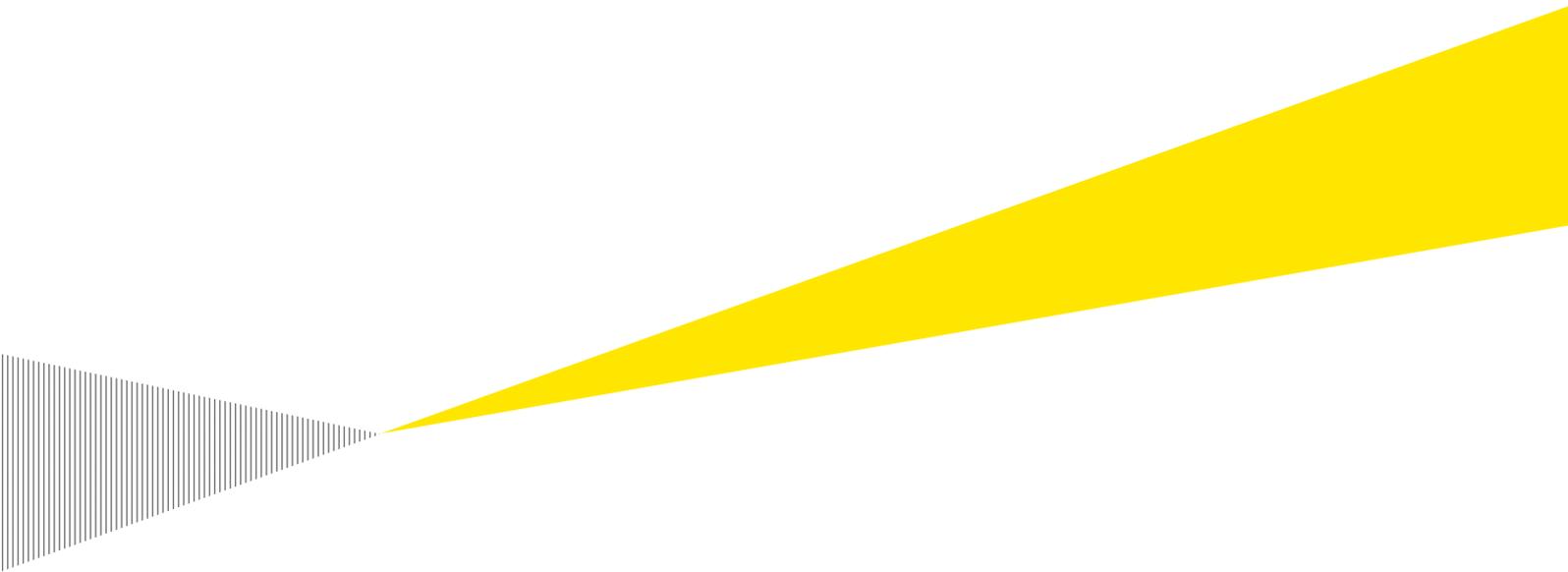
This page is intentionally left blank

Central Bedfordshire Council

Year ending 31 March 2016

Audit Progress Report

13 June 2016



Audit Committee
Central Bedfordshire Council

13 June 2016

Dear Audit Committee members

Audit Progress Report – 2015/16

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 your 2015/16 audit and ensure our audit is aligned with the Committee's service expectations.

Our audit will be undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

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

Yours faithfully

Neil Harris
Executive Director
For and behalf of Ernst & Young LLP
Enc

Contents

Work completed	3
Timetable	5
Appendix A Audit Progress.....	6

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website](http://www.psa.co.uk) (www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between 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.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute

Work completed

Audit status

This is our progress report for the 2015/16 audit year. Appendix A is a summary of the key deliverables and progress against these.

Audit Planning

We audit the Council's Statement of Accounts in accordance with the requirements of the National Audit Office's 2015 Code of Audit Practice, auditing standards and other professional requirements.

At the conclusion of our work, we provide an opinion on whether the financial statements give a true and fair view of the financial position of the Council and of its expenditure for the financial year under audit.

We completed our planning for the 2015/16 audit in March 2016 and have issued our Audit Plan. We have raised a number of significant risks that we will address through our audit work.

Our Audit Plan set out the significant and other risks we identified as part of planning procedures that influenced our audit strategy. The significant risks identified are:

- Revenue recognition
- Management override
- Property, Plant and Equipment valuation
- Private Finance Initiative liability
- Better Care Fund

Opinion

We have largely completed our walkthroughs of the Council's material financial system which has confirmed our understanding of the systems in place at the Council. We have also met with the finance team to discuss our audit approach and key findings from our interim audit. There are no issues we wish to raise with you as those charged with governance arising from the work carried out to date.

We will be undertaking our audit of the draft financial statements in August and September 2016 and will report our findings in our Audit Results Report at the September meeting.

Value for money conclusion

As part of our planning procedures, we have considered the significant risks of giving a wrong conclusion. We need to carry out as much work as is appropriate to enable us to give a safe conclusion on arrangements to secure value for money.

We have determined that the financial position of the Council as relevant to our value for money conclusion and as such this has been included as a significant risk in our Audit Plan.

Other matters

Included with these papers is a letter issued by EY LLP to the Council's Chief Executive on the 5th May 2016 summarising the External Auditors findings and conclusions into a review of the Council's partnership that it has entered into for legal services. This review was undertaken in response to a number of concerns raised on the Council's procurement process by a whistleblower to the National Audit Office (NAO). The NAO referred these concerns to EY LLP as the Council's External Auditor to consider the matter and respond in accordance with their responsibilities as set out in the NAO's Code of Audit Practice and Local Audit and Accountability Act 2014.

Audit Committee Briefing

Our Audit Committee 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.

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 new and existing local government bodies.

The current briefing will be circulated to members outside of the meeting. 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.

Timetable

Audit and Risk Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we have agreed to provide to you through the 2015/16 Audit Committee cycle.

We will provide formal reports to the Audit Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit and Risk Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the COUNCIL and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Deliverables
Fee planning	April 2015	Fee Letter
High level planning:	January - March 2016	Audit Plan
Risk assessment and setting of scopes	January - March 2016	Audit Plan
Testing of routine processes and controls	January - March 2016	Interim report (if required)
Value for money conclusion	August – September 2016	
Year-end audit	August – September 2016	Report to those charged with governance (Audit Results Report)
		Audit report
		Whole of Government Accounts Submission to NAO based on their group audit instructions
		Audit completion certificate
Reporting	December 2016	Annual Audit Letter

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

Appendix A Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	April 2015	Complete	Issued 31 March 2015
Audit Plan	March 2016	Complete	Issued March 2016
Report to Those Charged with Governance	September 2016		
Audit Report	September 2016		
Audit Certificate	September 2016		
WGA Submission to NAO	September 2016		
Annual Audit Letter	December 2016		

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

Central Bedfordshire Council

Audit Committee

27 June 2016

**Central Bedfordshire Council – Public Interest Disclosure
regarding the Partnership the Council has entered into for
Legal Services**

Report of Ernst & Young LLP

Neil Harris, Executive Director

Purpose of this report

The purpose of the attached letter from Ernst & Young LLP to the Chief Executive of Central Bedfordshire Council is to summarise the company's findings and conclusions following a review into the Council's arrangements for the procurement of legal services.

This page is intentionally left blank



Ernst & Young LLP Tel: + 44 1582 643 476
400 Capability Green Fax: + 44 1582 643 001
Luton ey.com
Bedfordshire
LU1 3LU

Richard Carr
Chief Executive
Central Bedfordshire Council
Priory House,
Monks Walk
Shefford
Bedfordshire, SG17 5TQ

5th May 2016

Our Ref: 15-16 Central Bedfordshire
Council/Whistleblower
Your Ref:

Direct line: 07854279476
Email: nharris2@uk.ey.com

Dear Richard

Central Bedfordshire Council – Public Interest Disclosure regarding the partnership the Council has entered into for legal services

Further to our meeting on 19th April 2016, I am writing to confirm my position following a review of the Council's arrangements for the procurement of legal services. As you will recall from my letter of 11th January 2016, this follows a Public Interest disclosure from a whistleblower concerning the approach the Council took to the procurement exercise.

I have reviewed the Council's arrangements for procurement of legal services in the context of our responsibilities and statutory powers defined under the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice.

I am grateful for the open and constructive manner in which the Council have engaged with me since this matter was referred to me by the National Audit Office. I sought to take the time necessary to review the procurement arrangements and draw on the advice and support of colleagues in EY who have experience of reviewing governance and decision making in contracts and procurements of this nature.

I have carefully considered all of the allegations and concerns raised by the whistleblower. I am not minded to challenge the decision taken by the Council on the procurement of legal services. I do however believe there were some weaknesses in the Council's written documentation to support the procurement decisions and process it took at the time. I set out below the work I have undertaken, my observations and recommendations. I believe we have responded appropriately and proportionately to the concerns raised. I therefore do not intend to take any further action in this matter.

In completing my work, I have carefully reviewed and considered all of the allegations and concerns raised by the whistleblower together with:

- Your letter addressed to me of 28th January 2016 responding to each of the concerns raised by the whistleblower.
- All available written documentation pertaining to support the Council's procurement for legal services and compliance with your constitution and standing orders which were provided to me on 28th January 2016.
- All available written instructions and external legal advice the Council received which were provided to me on 28th January 2016.
- Oral explanations I received when I met with you, the Chief Financial Officer and the Director of Improvement and Corporate Services on 29th February 2016 to discuss supplementary questions I had following review of the Council's written documentation.
- Your letter addressed to me of 3rd March 2016 which provides written response to the supplementary questions.

I do acknowledge the statements made by the Council and its external legal advisors that procurement law, and particularly the application of public contract regulations, are a "grey" area and open to interpretation. I have not considered it appropriate to seek my own legal advice on the lawfulness of the procurement exercise. Instead, I think it is more appropriate at this stage to consider whether the Council has acted reasonably, in an open, fair and transparent manner, in its decision making process.

I am satisfied that the Council has been aware of the need for openness, fairness and transparency in the procurement of legal services for the following reasons:

- Agenda reports and discussions at the Council's Executive have sought to establish clear objectives and evaluation criteria for the procurement of legal services, consistent with the Council's strategic, corporate and financial plans.
- Evidence of Executive and Member scrutiny of the Council's proposed approach and key decisions.
- Council actively seeking and considering external legal advice.
- In procuring legal services, the Council recognised one option would involve it entering into a shared service partnership for the first time. I recognise the Council were and are particularly sensitive to this and keen to learn any lessons from this exercise should it explore similar options in the future.
- Oral explanations I received, particularly when we met on 29th February 2016. Particularly I note the oral explanations provided to me indicated that Council were aware of the need to be sensitive to the whistleblower's concerns as well as to conflicts of interest.

However, I do believe there are weaknesses in some aspects of the Council's written documentation and evidence that is available to me to support the decision making process taken at the time for the procurement of legal services. I set out my concerns on some of the written documentation and evidence in two categories:

- Explanations and statements which appear in places either unclear or inconsistent with the evidence provided to me by the Council. For example, in demonstrating how the Council has safeguarded any risks to conflicts of interest with potential bidders and perhaps more significantly, how the Council ensured that the procurement process it followed was in accordance with its Constitution, particularly sections J3 on Partnership Protocols and I3 on Code of Procurement Governance.
- Absence of information in places to support the assertions made in Council reports, orally and in written letters I have received. For example, although there were score sheets to support the evaluation of bids which included financial information, I have not seen a detailed financial analysis of the options explored and in addition there is little or no written evidence to support the rejection of options for the provision of legal services.

In its procurement of legal services, I do believe the Council would have benefited from much more detailed records and documentation to substantiate its key decisions. Having sufficient and appropriate evidence enables the Council to substantiate fully how it has acted in an open, fair and transparent manner as well as addressing any actual or perceived risks and threats at each stage of its decision making process. I recommend that the Council should ensure that in any future procurements of a similar nature, sufficient and appropriate evidence is available to support each stage of the decision making process and the Council's assertions, in particular for:

- Exploration and selection of options.
- Ensuring compliance with the Council's constitution and standing orders.
- Ensuring the Council avoids potential, actual or perceived conflicts of interest
- Ensuring the Council is acting within its legal powers, based on instructing, receiving and acting on internal or external legal advice.
- Evaluation and analysis of tender/bid submissions, including sensitivity analysis on the proposed outcome.

The Council has also acknowledged openly that the procurement of legal services represented the first time it has considered an option that involved a shared service partnership. I recommend that the Council should take the learning from this procurement exercise and revisit its Constitution. The Council should ensure that its Constitution, particularly sections J3 and I3, appropriately reflects, now and in future, how the Council should respond when it is either considering options and/or intends to make decisions that involve it entering into shared service arrangements.



I will now share my letter with the Chair of the Audit Committee and the whistleblower, via the National Audit Office. I intend to present this letter to the next Council Audit Committee on 27th June 2016.

Yours sincerely

A handwritten signature in dark ink, appearing to be 'Neil Harris', written in a cursive style.

Neil Harris
Executive Director
Ernst & Young LLP

Central Bedfordshire Council

Audit Committee

27 June 2016

Local Government Pension Scheme Update

Advising Officers:

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

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

Purpose of this report

To provide an update on the governance of the Local Government Pension Scheme (LGPS).

RECOMMENDATION

The Committee is asked to:

1. Consider and comment upon the issues raised within the report.

Overview and Scrutiny Comments/Recommendations

1. This report is for information only and has not been made to any Overview and Scrutiny Committee. Due to the significant values of assets and liabilities and the importance of the LGPS to the Council this Committee receives regular reports on the governance and performance of the Local Government Pension Scheme.

Background

1. The Local Government Pension Scheme (LGPS) in England and Wales is a funded public sector pension scheme with approximately 5.1 million members. The scheme which currently holds some £217 Billion in assets is the largest funded scheme in the UK and the fifth largest in the world.
2. 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, which 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. At 31 March 2015 there were 137 active and 24 inactive scheme employers participating in the Bedfordshire LGPS. The actual Bedfordshire scheme membership numbers at March 2013 and 2015 are shown in Table 1 overleaf. Following a number of years where active membership had declined the introduction of auto enrolment (whereby the default position for new employees is that they are included in the scheme and have to opt out if they do not wish to be included) has contributed to an increase in active members for the Fund as a whole.

Governance and Regulatory Changes

6. A LGPS update report to the January meeting of this Committee outlined the Government's plans for the creation of a number of pooled investment arrangements for LGPS assets. All administering authorities were invited to submit in February 2016 initial proposals for the creation of pooled asset management arrangements.
7. The BBC Pension Committee meeting on 3 February 2016, having considered various options given the developing proposals for up to eight pools, resolved to participate in the submission for the 'Border to Coast' proposed pool. This pool represents some thirteen Funds as set out in table 1 below.

Table 1 Border to Coast Pool Members	
Fund Name	Administering Authority (if applicable)
Bedfordshire Pension Fund	Bedford Borough Council
Cumbria Pension Fund	Cumbria County Council
Durham Pension Fund	Durham County Council
East Riding Pension Fund	
Lincolnshire Pension Fund	Lincolnshire County Council
North Yorkshire Pension Fund	North Yorkshire County Council
Northumberland Pension Fund	Northumberland County Council
South Yorkshire Pension Fund	
South Yorkshire Passenger Transport Pension Fund	
Surrey Pension Fund	Surrey County Council
Teesside Pension Fund	
Tyne and Wear	South Tyneside Borough Council
Warwickshire Pension Fund	Warwickshire County Council

8. The Border to Coast pool proposal was welcomed by the Minister for Local Government and members of the pool were invited to submit a detailed final proposal addressing governance and implementation by 15 July 2016. The Minister expects a Financial Conduct Authority regulated single entity with responsibility for selecting and contracting investment managers and the employment of staff. The pool members are currently developing a detailed submission. Whilst the entity, if implemented, will manage investments both internally and under contract with other managers, each participating Pension Fund will be responsible for its own strategic asset allocation.

9. A national LGPS Scheme advisory Board was constituted in February 2016 as previously a Shadow Board existed. The Board has two roles specifically to provide advice to LGPS scheme managers and pension boards in relation to the effective management and administration of the LGPS and its connected schemes, and to advise the Secretary of State for Communities and Local Government on the desirability of changes to the LGPS. The Board comprises various LGPS stakeholders representing employers, scheme members, advisors and observers.

10. The Board will have two sub committees; Cost management and Scheme Design and secondly Investment, Engagement and Governance. The Cost management and Scheme Design sub committee will have an important role as the results of the 2016 Actuarial valuations are assessed.

Valuation March 2016

11. Regulations require that every three years the Scheme Actuary conducts an actuarial valuation to determine the level of employers'

rates of contribution to the Fund. The next valuation date is 31st March 2016 and work on the valuation has commenced.

12. Key to the Fund's year end procedures and the 2016 valuation is the submission of data from each participating Employer, or payroll provider on behalf of the Employer. This data is required to be submitted by 30 April each year. Luton Borough Council were finally able to submit a file on 11 March 2016 which represented their data for 2014/2015 and which was accepted by Pensions Administration. However, there remains a number of queries to be resolved which will continue to need the 'buy in' of Luton Borough Council. Luton Borough Council has submitted their data for 2015/2016. In summary, across the Fund, only 60% of data was received on time although by 7th June 2016 it had all been received and checking is currently taking place. The Council's data, extracted from the in house payroll, was submitted within one week of the timetable date.
13. The draft results of the 2016 valuation, which are used to determine employer contribution rates applying from 1 April 2017, are expected to be available in the autumn. After the 2013 valuation contribution rates for secure long term employers, such as the Council, were stabilised at 25% of pensionable pay based on a twenty year deficit recovery plan. The 2016 valuation will check how the stabilisation approach has performed in respect of deficit repair.

Fund Management

14. The Fund has implemented an investment strategy and benchmark, linked to the Fund liabilities, that seeks to provide less volatile returns compared to Funds with a greater weighting to equities. At the Bedford Borough Council Pensions Committee meeting on 7th June 2016 the Fund Administrator reported on the Pension Fund Performance over the twelve month period ending 31st March 2016. The market value of the Fund and cash holdings as at 31st March 2016 was £1,727.4 million (Table 2) an increase of £39.2 million since 31 December 2015.

Table 2 Bedfordshire Fund Investment Asset classes and values at 31 March 2016			
Asset class	31 Mar-16	31 Mar-16	Bench mark
	£M	%	%
UK Equities	308.6	17.9	19
Overseas Equities	549.1	23.7	31
Total Equities	857.7	49.7	50
Government Bonds	61.5		
Index Linked Gilts	91.9		
Absolute return Bonds	161.9		
Total Bonds	315.13	18.3	18
Property – (Indirect))	189.4	10.9	10
Multi Asset Absolute Return	309.2	17.9	20
Cash	55.8	3.2	2
Total Fund	1,727.4	100	100

15. The Fund's overall investment benchmark is a mixture of absolute and market returns and the absolute returns vary by manager e.g RPI plus 5%, short term interest rates plus 4%. The managers invest in markets that can produce negative or flat returns and when this happens overall performance is likely to be negative relative to the specific benchmark. Over 12 months to 31 March 2016 the overall benchmark was 1.9% whereas many investment markets have declined. The Fund reported a 12 month return of -0.2% which compares with UK Equity market returns over the same period of - 3.9%.
16. Annualised 3 year returns were Benchmark 5.8%, Fund 5.2% and annualised 5 years returns were Benchmark 6.3% Fund 5.5%.
17. As Pension Funds have developed specific strategies and benchmarks linked to liabilities and deficit recovery plans the comparisons with other Funds has become less relevant. The company that maintained a Local Authority Universe return, State Street, has stopped recording a Local Authority Universe return. It is expected that alternative arrangements will be made as the measure does provide some value in understanding Fund performance.

Council Priorities

18. This report provides information about the Local Government Pension (LGPS). 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.

Corporate Implications

Legal Implications

19. There are no specific legal implications as this report is made for information purposes. 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 and Risk Implications

20. There are no specific financial implications as this report is made for information purposes. 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 last financial year 2015/16, employer contributions of 14% of pensionable pay were paid to the Bedfordshire Fund (approximately £8m p.a. including schools non-teaching staff) along with an additional lump sum of £7.212m towards the funding deficit.
21. LGPS contributions are a significant proportion of the Council's overall employment costs and as such the governance and performance of the scheme merits regular monitoring by this Committee.

Equalities Implications

22. There are no specific implications for equalities as this report is made for information purposes.

Conclusion and next Steps

23. The LGPS continues to be subject to considerable change and the current focus relates to the management of investments. There is a significant challenge for the 89 LGPS Funds and their stakeholders to agree investment pooling options for implementation that meet the Government's criteria.

24. The Fund and its employers also continue to address the operational issues arising from the implementation of the 2014 scheme for LGPS benefits so that the 2016 actuarial valuation can be delivered in September

Appendices

None

Background Papers

None

This page is intentionally left blank

Central Bedfordshire Council

Audit Committee

27 June 2016

Appointment of the Council's External Auditors following the Expiry of the Current Contract

Report of: Charles Warboys, Chief Finance Officer
(charles.warboys@centralbedfordshirecouncil.gov.uk)

Contact Officer: Kathy Riches, Head of Internal Audit and Risk
(cathy.riches@centralbedfordshirecouncil.gov.uk)

Purpose of this report:

- 1.1. This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
- 1.2. The Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

RECOMMENDATIONS

The Committee is asked to select its preferred approach to the appointment from the options at 1 below:

1.
 - a) Supporting the Local Government Association (LGA) in setting up a national Sector Led Body by indicating intention to "opt-in"
 - b) Establishing a stand-alone Auditor Panel to make the appointment on behalf of the Council.
 - c) Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities

and

2. Recommend that the Committee's preferred approach is submitted to Full Council for approval, following which the LGA will be notified by officers of the decision taken.

Overview and Scrutiny Comments/Recommendations

2. This report is not scheduled to be considered by Overview and Scrutiny, as it falls within the general remit of the Audit Committee.

Background

3. The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
4. The Council's current external auditor is Ernst and Young, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years there have been significant reductions in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The indicative scale fee for the audit of Central Bedfordshire Council is £139,466 for both 2015/16 and 2016/17. In addition, the fee for the certification of claims and returns is £26,910.
5. When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
6. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work: they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

7. Schedule 3, paragraph 1 of the Local Audit and Accountability Act 2014 states that the full Council must appoint the auditor.

Options for local appointment of External Auditors

8. There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

Option 1 To make a stand-alone appointment

9. In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees. This excludes current and former elected Members (or officers) and their close families and friends. This means that elected Members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

Advantages/benefit

- a. Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

- b. Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances.
- c. The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts, and is therefore likely to end up paying significantly higher fees.
- d. The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected Members.

Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

9. The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees. Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

- a. The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- b. There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- c. The decision making body will be further removed from local input, with potentially no input from elected Members where a wholly independent auditor panel is used or possibly only one elected Member representing each Council, depending on the constitution agreed with the other bodies involved.
- d. The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.
- e. Even if the Council joins with one or more other local authorities, it will still not be able to offer the scale of appointment that would be available on a nation wide process. It would therefore be likely to incur higher fees than under option 3 below.

Option 3 Opt-in to a sector led body

10. In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector. At this stage, the length of such contracts has yet to be determined. However, the audit contracts between the SLB and the audit firms will require firms to deliver audits compliant with the National Audit Office (NAO) Code of Audit Practice.

Advantages/benefits

- a. The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities, thus minimising the cost to each individual authority.
- b. By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation.
- c. Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.
- d. The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities. The LGA are considering setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

Disadvantages/risks

- e. Individual elected Members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- f. In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

The way forward

11. The Council have until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
12. The LGA are working on developing a Sector Led Body. In a recent survey, 58% of respondents expressed an interest in this option.

Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to a SLB. In order to strengthen the LGA's negotiating position and enable it to more accurately evaluate the offering the Council is asked to consider whether it is interested in the option of opting in to a SLB. A formal decision to opt-in will be required at a later stage.

13. It is the recommendation of officers that option 3 should be pursued.

Corporate Implications

Legal Implications

14. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 and Schedule 3 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;
15. Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
16. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

Financial Implications

17. The LGA considers that current external fees levels are likely to increase when the current contracts end in 2018.
18. The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above will include:
 - the cost of recruiting independent appointees (members),
 - servicing the Panel,
 - running a bidding and tender evaluation process,
 - letting a contract and
 - paying Panel members' fees and allowances.These costs are not currently reflected within the Council's budget.

19. Opting-in to a national SLB provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangements and would remove the costs of establishing an auditor panel.

Equalities Implications

20. None directly from this report.

Risk Management

21. There is no immediate risk to the Council; however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.
22. Providing the LGA with a realistic assessment of the Council's likely way forward will enable the LGA to invest in developing appropriate arrangements to support the Council.

Conclusion and next Steps

23. The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed the Committee is asked to give early consideration to the preferred approach and make a recommendation to Full Council.
24. The Council has been asked by the LGA for an indication of the preferred approach in order that it can invest resources in providing appropriate support to Councils. The LGA is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up costs and having to potential to negotiate lowest fees.

Appendices:

None

Background Papers:

None

This page is intentionally left blank

Central Bedfordshire Council

Audit Committee

27 June 2016

2015/16 Internal Audit - Annual Audit Opinion

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

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

Purpose of this report:

This is the annual report of the Head of Internal Audit and Risk to those charged with governance on the overall adequacy and effectiveness of Central Bedfordshire Council's financial and other management internal controls.

RECOMMENDATION

The Committee is asked to:

1. 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 it is a matter for the Audit Committee under the delegations of the Constitution.

Background

2. The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices. The applicable standards for 2015/16 were the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1st April 2013. In accordance with the standards, the Head of Internal Audit and Risk is required to deliver a report to those charged with governance, timed to support the Annual Governance Statement, which must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

3. This report:
 - Presents an opinion on the overall adequacy and effectiveness of Central Bedfordshire's framework of governance, risk management and control for the 2015/16 financial year,
 - Summarises audit work undertaken that supports that opinion
 - Highlights significant issues identified as part of Internal Audit's work, including those that are particularly relevant to the Annual Governance Statement
 - Compares the Internal Audit work actually undertaken with the work that was planned and summarises the performance of the internal audit function against its performance measures and criteria, and
 - Includes a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Responsibilities

4. It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.

Independence and Accountabilities

5. Internal Audit remains independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.
6. In addition, the Head of Internal Audit and Risk has direct free and unfettered access and freedom to report in her own name and without fear or favour to all officers and members, particularly to those charged with governance (including the Chief Executive and the Chair of the Audit Committee).

Internal Control Environment

7. The internal control environment comprises the Council's systems of governance, risk management and internal control.
8. In order to form an opinion on the overall adequacy and effectiveness of the control environment, the internal audit activity is planned to provide coverage of financial controls through review of the key financial systems, and internal controls through a range of operating activity both within directorates and cross cutting, using a risk based approach. The work undertaken by Internal Audit helps inform the Annual Governance Statement.

The Audit Methodology and Basis of Assurance

9. During 2015/16 Internal Audit was bound by the Public Sector Internal Audit Standards. The purpose, authority and responsibility of the internal audit service is set out in the Internal Audit Charter, approved by the Audit Committee in January 2014.
10. The internal audit work undertaken during the year has been conducted in accordance with the mandatory standards and good practice.
11. The Internal Audit Plan for 2015/16, approved by the Audit Committee in March 2015, was compiled using a risk based approach and was informed through:
 - reference to the previous Audit Needs Assessment undertaken
 - consultation with senior management
 - Internal Audit's own analysis of risk areas
 - reference to the strategic and operational risk registers, and
 - the outcome of the assurance mapping exercise on the risks documented within the Strategic Risk Register.
12. The Internal Audit Plan identified the individual audit assignments. The activity was undertaken using a systematic risk based approach. The objectives for each activity were determined and risks in the processes that supported that activity were identified and set down in terms of reference that outlined the objectives and scope for each audit. The work was planned and performed so as to obtain all the information and explanations necessary to provide sufficient evidence in forming an overall opinion on the adequacy of the internal control framework.
13. Internal Audit reports provide an overall conclusion on the control environment for each system reviewed. A summary of the conclusions for each audit is attached as Appendix A to this report. The definitions of each conclusion are attached as Appendix B.
14. The overall annual audit opinion is derived from the work undertaken during the year, as determined by the Audit Plan. However, it is also recognised that there is a risk management assurance framework in place that provides reasonable assurance that other significant risks have been identified and are managed effectively.
15. To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a designated Audit Manager to perform quality reviews at four stages of the audit assignment: the audit brief (terms of reference), file review, draft report and final report stages. In addition, the Head of Internal Audit and Risk reviews all reports.
16. In addition to this annual report, the Audit Committee receive regular progress reports throughout the year.

The Internal Audit Team

17. During 2015/16 the Internal Audit Service was delivered by a team of suitably qualified auditors. Due to maternity leave, one senior auditor position was covered by a temporary member of staff, who is professionally qualified. Each permanent member of the team undertakes a regular Performance Development Review (PDR) and participates in Continuing Professional Development (CPD) as appropriate. There was a vacancy within the team for a period of approximately six months, and this did have an impact on the number of reviews finalised.

Head of Internal Audit's Annual Opinion Statement

18. The Internal Audit work undertaken during the year has enabled Internal Audit to provide an objective assessment of whether systems and controls are operating effectively. In giving an audit opinion, however, it should be noted that assurance can never be absolute. However, the scope of the activity undertaken is sufficient for reasonable assurance to be placed on the work.
19. Ernst and Young, as the Council's external auditors, have reviewed the work undertaken by Internal Audit on the fundamental system audits and have been able to place reliance on the work, and have been in agreement with the audit opinions given.
20. A summary of the work undertaken during the year, forming the basis of the audit opinion on the control environment, is shown at Appendix A of this report.

The opinion on the Council's Internal Control environment is that overall it continues to be adequate. In general the key controls in place are adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions.

21. This conclusion is based on the following:

Framework of governance:

- A Code of Financial Governance is in place, and is incorporated within the Constitution.
- Financial Procedures support the Code of Financial Governance. These are regularly refreshed and updated.
- A Financial Scheme of Management is in place.
- Procedures and processes have been documented in a number of key areas.
- Outcome of governance audits.

Risk Management Arrangements:

- Assurances on key strategic risks have been mapped during the year. Assurances considered include a range of management controls, corporate functions and third party assurances.
- A risk management framework is in place, including a documented strategy, risk co-ordinators within directorates, a Risk Matters Group and regular monitoring and reporting on strategic risks to senior management and the Audit Committee.

Internal Control:

- The audit opinion for each of the fundamental system reviews finalised has been positive. Two have received a full assurance opinion and the remaining reviews received an adequate audit opinion.
- Adequate controls were found to be in place in a number of other areas. The majority of audit reviews of these areas other than the fundamental systems have received Adequate Assurance opinions. Where weaknesses in the current processes have been identified actions have been agreed with management to address these issues.
- Progress has been made in addressing almost all of the high priority Internal Audit recommendations made, and
- There has been a stable senior finance management structure in place during the year.

22. It should be noted that most audits undertaken have resulted in reports identifying areas for improvement which have been well received by managers, and actions agreed to address weaknesses in control. The implementation of these actions is tracked by Internal Audit and the progress against the implementation of high recommendations is regularly reported to the Audit Committee.

23. In arriving at the opinion the following has been taken into account:

- The results of the audits undertaken as part of the 2015/16 plan
- The results of follow up action in respect of previous audits
- Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.

24. The following key concerns were identified and these have been reflected in the Annual Governance Statement:

- The change of provider for agency staff effective from November 2014 resulted in interim control procedures being introduced with a reduction in the control environment for a significant area of activity for the latter half of 2014/15 and the first half of 2015/16. Revised management controls were introduced in October 2015. A detailed audit review is scheduled for 2016/17
- Internal Audit has continued to track the implementation of high priority recommendations. This work has identified that, although

progress was made during 2015/16 to develop a comprehensive IT Disaster Recovery Plan, this work has still to be finalised. The Chief Information Officer has undertaken a review of the data centre provisioning at CBC and ICT is undertaking to deliver a refreshed and renewed DR Plan. However, he has reported that an OJEU tender to replace the existing data centre capacity with professionally managed capacity returned offers that were deemed to be too expensive, and an internal process is now underway to move to CBC managed cloud capacity. Internal Audit undertook a further audit review of IT Disaster Recovery during 2015/16, and the audit opinion remained Limited Assurance. The Audit Committee has received regular updates on this during the year, and it was resolved at the April 2016 Audit Committee that the Chief Information Officer be invited to attend the September Committee to provide an update on the progress made in developing and approving the Information Technology Disaster Recovery Plan.

- The audit reviews of ICT Governance, Teachers Pensions', SAP Access and Security and Section 278 Agreements, undertaken during 2014/15 identified weaknesses in the current processes and management have agreed actions to address these issues. For each of these reviews, follow up audits are either in progress or planned to provide assurance on whether the control environment has improved.

Delivery of the 2015/16 Internal Audit Plan

25. The operation of the key financial systems is a key part of the internal control environment. The table at Appendix A sets out the outcome of the reviews of these systems, and indicates where the work is still ongoing. The appendix also summarises other reviews undertaken during the year.
26. The reviews of the key fundamental systems help inform the Annual Governance Statement. Two reviews have received a full assurance audit opinion and the remaining 8 key system reviews finalised have received an adequate audit opinion. It should be noted that the opinions given reflect the controls in place across the whole year. With the exception of the issue relating to the change in agency provider referred to in paragraph 24 above, no new key issues of concern have been identified.
27. Audit work is not just limited to implementing the audit plan. Internal Audit is involved in other areas advising on systems development and using their skills to provide other general advice to service areas. Internal Audit has participated in a number of projects, providing advice on controls required. These projects include supporting the highways contract retender and working with colleagues to identify the controls

needed for future European Social Fund Programmes. In addition, individual grant claims have been audited, where required.

28. Work has either been finalised or nearing completion for the majority of the audits in the plan, however, as was reported at the April 2016 Committee meeting, no work has yet started on 4 reviews originally planned for 2015-16. These audits have been deferred to either 2016/17 or 2017/18.

- School Transport
- Compliance- Assets
- Care Fund/Better Care Fund Integration
- Review of Leisure Services outcomes
- Housing Repairs Follow Up

The explanations for deferring the audits were reported to the April Committee. It is not considered that the deferral of these reviews exposes the Council to any unacceptable risks that would impact on the overall Internal Audit Opinion.

National Fraud Initiative (NFI)

29. During 2015/16 we continued to complete work around the National Fraud Initiative (NFI). The overall responsibility for this exercise has now passed from the Audit Commission to the Cabinet Office. Data sets are supplied when requested and matches investigated as required.

30. The Internal Audit team has also assisted other authorities undertake their NFI enquiries by providing information to support their investigations.

Anti Fraud Work and Special Investigations

31. Internal Audit concluded two investigations during the year. The outcome of these were reported to the September 2015 and January 2016 Audit Committees.

32. During the year, Internal Audit has continued to work closely with colleagues within the Corporate Fraud Team on reviewing existing counter fraud arrangements and raising awareness of fraud risks across the Council.

Adding Value

33. Although Internal Audit is primarily an assurance function, internal audit activity should also add value to the Council. The opportunities to add value are included at the planning stage for all audit activity and service areas are requested to consider how internal audit can assist. The audit reports have included areas for process improvement and have highlighted specific areas where value for money could be improved.

Schools

34. The rolling programme of school audits has continued during 2015/16. During the year final reports were issued to 11 schools. The opinions given for the finalised reviews are set out at Appendix A. One school received a limited audit opinion.

Performance Management

35. The Audit Committee has agreed some Key Performance Indicators (KPI), which are regularly reported to the Committee. Overall, performance has been positive and where targets have not been met, action will be taken aimed at improving performance. The table below summarises the results for the year, and also includes the previous year's indicators, for comparative purposes.
36. The indicators include both CBC audit activities and school activity.

Activities for 1 April 2015 – 31 March 2016

KPI	Definition	2015/16	2014/15	Our target
		How we performed	How we performed	
KPI01	Percentage of total audit days completed.	90%	93%	80%
KPI02	Percentage of the number of planned reviews completed to final report stage.	75%	76%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	77%	81%	75%
KPI04	Time taken to draft reports: Percentage of reviews where the first final draft report was returned by auditee within 10 available working days of receipt of the report from the Auditor.	79%	64%	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	100%	96%	80%
KPI06	Overall customer satisfaction.	93%	92%	80%

37. Analysis of indicators:

KPI01 – During the year we delivered a total of 1130 productive audit days against a total of 1260 planned days for the year. This exceeds our target for the period, but is lower than for the same period last year. This reflects that there was a vacancy within Internal Audit for the period April – end October 2015.

KPI02 – This KPI measures final reports issued as at 31 March 2016. 75% of the planned reviews had been completed to final report stage, which is below the target but consistent with the previous year, and also reflects the vacancy earlier in the year. However, this KPI does not reflect work in progress. Work is progressing on the outstanding reviews.

- KPI03 – 77% 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.
- KPI04 - This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. During 2015/16, 79% of draft reports were responded to within the target set. This represents a significant improvement over previous years.
- 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 – A total of 47 surveys have been sent out. 27 responses have been received to date. The responses received have been positive. The overall response rate was 57% to date.

Conformance with the Public Sector Internal Audit Standards

38. The Public Sector Internal Audit Standards require the Annual Internal Audit Opinion to include a statement on conformance with the PSIAS and also the results of the Quality Assurance and Improvement Programme.
39. In order to ensure that the Internal Audit Service operates in accordance with the PSIAS, the Head of Internal Audit and Risk undertakes an annual self assessment of compliance with the standards. The Accounts and Audit Regulations 2015 require that there is a review of the effectiveness of the System of Internal Audit. An external assessment was undertaken during 2015/16 by CIPFA. The outcome of the external assessment was reported to the April Audit Committee.
40. The PSIAS require the Annual Audit opinion to include a statement of conformance with the standard. Following the implementation of the recommendations made by the assessor, the Internal Audit service is fully compliant with the standards.
41. A Quality Assurance Improvement Programme (QAIP) is in place. Following the cycle of Personal Development Reviews (PDR) a comprehensive training plan for the internal audit service was collated and incorporated within the QAIP. This programme is intended to ensure that the internal audit service continues to develop and improve. As such, it is envisaged that work will be on going in this area, and the programme will be regularly refreshed and updated.
42. The Head of Internal Audit and Risk will continue to regularly review internal audit activity against the standards and any areas of development identified will be addressed.

Review of the Effectiveness of Internal Audit and the Effectiveness of the Systems of Internal Control

Background (Accounts and Audit Regulations 2015)

43. All councils are required to publish an Annual Governance Statement (AGS) to accompany their Statement of Accounts, in accordance with the 2015 Accounts and Audit Regulations. Assessments of the Effectiveness of Internal Audit and the Effectiveness of Systems of Internal Control are two key aspects of the AGS. Central Bedfordshire Council has reviewed both systems for 2015/16 and the findings are incorporated into the Annual Audit Opinion and subsequently into the AGS.

Review of the Effectiveness of Internal Audit

44. As referred to in paragraph 39 above, a review of the Effectiveness of Internal Audit was undertaken by CIPFA.

Review of the Effectiveness of the Systems of Internal Control

45. The Council's review of the effectiveness of the system of internal control is informed by:
- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports
 - the work undertaken by Internal Audit during the year
 - the work undertaken by the external auditor reported in their annual audit and inspection letter
 - other work undertaken by independent inspection bodies
46. The Head of Internal Audit and Risk has supported the Monitoring Officer to collect evidence required for the production of the AGS.
47. Directors have signed statements on the Effectiveness of Internal Control for 2015/16, confirming that during the year they were:
- Ensuring that there are arrangements in place for establishing Directorate objectives and compliance to corporate priorities;
 - Ensuring compliance to the Council's governance arrangements (Constitution, Ethical Framework, and Policies & Regulations);
 - Ensuring arrangements for sound budgetary controls;
 - Effectively monitoring and managing performance;
 - Reporting to the appropriate Member Committees;
 - Responding promptly to internal & external audits & inspections;
 - Continuously managing business risks and service continuity arrangements.

48. The work undertaken by Internal Audit on the systems of internal control disclosed that generally they were effective during 2015/16. However, some areas of concern were identified and these are summarised in paragraph 24 above, and are reflected in the Annual Governance Statement.

Corporate Implications

Legal Implications

49. None directly from this report.

Financial Implications

50. 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

51. None directly from this report.

Conclusion and next Steps

52. The work undertaken by Internal Audit has enabled the team to advise management of some of the control weaknesses identified at an early stage, and make recommendations designed to enhance and strengthen controls and mitigate risks.

53. The internal control environment operated adequately during 2015/16, although some areas of concern identified in the AGS must be addressed promptly.

Appendices:

Appendix A – Summary of Internal Audit Activity 2015-16

Appendix B – Audit Opinion Definitions

Background Papers:

None

APPENDIX A

Internal Audit Activity during 2015/16

The table below provides a summary of audit activity during 2015/16.

<u>Audit Title</u>	<u>Position of Review</u>	<u>Opinion</u>
Carry Over Work:		
Completion of reviews in progress as at 31st March 2015		
Accounts Payable 2014-15 Phase 2	Final report issued	Adequate (as Phase 1)
Asset Management 2014-15	Final report issued	Adequate
Council Tax 2014-15 Phase 2	Final report issued	Adequate (as Phase 1)
NDR 2014-15 Phase 2	Final report issued	Adequate (as Phase 1)
Payroll Phase 2	Final report issued	Adequate (as Phase 1)
Housing Rents Phase 2	Final report issued	Adequate (as Phase 1)
Housing Benefits 14-15 Phase 2	Final report issued	Adequate (as Phase 1)
ICT Contract Management	Briefing Note issued	n/a
Domiciliary Care Framework Agreement	Draft Report issued.	Adequate*
SWIFT Financials	Final report issued	Adequate
Information Governance - Transparency Code	Final report issued.	Adequate
Customer First	Briefing note currently being drafted.	
Compliance- Assets	Deferred to 2016/17	
Integrated Asset Management System (IAMS)	Final report issued	Adequate
School Transport	Deferred to 2017/18	n/a
Direct Payments	Draft report issued	Adequate*
Housing Tenancy Management	Final report issued	Adequate
Residential Care Homes - Review opening balances on clients' funds	Final report issued	Limited
Residential Care Homes - Payroll Due Diligence	Work finalised	n/a
Care Homes - Accreditation Scheme for Dementia	Final report issued.	Adequate

* indicates provisional opinion

<u>Audit Title</u>	<u>Position of Review</u>	<u>Opinion</u>
Public Health compliance with best practice: Obesity Management	Final report issued	Adequate
Proactive Anti- Fraud Care Homes Amenity Funds	Final report issued	Adequate
Proactive Anti- Fraud Review 14-15: Timesheets	Fieldwork in progress	
Proactive Anti- Fraud Review 14-15: Expense Claims	Scoping agreed.	
Maple Tree Lower	Final report issued	Adequate
Robert Peel Lower Follow up	Final report issued	Satisfactory progress
Manshead Upper	Final report issued	Adequate
Russell Lower Follow up	Final report issued	Satisfactory progress
2015-16 Plan		
Fundamental Systems		
Accounts Payable/Purchase Ledger (including feeder systems)	Final report issued	Adequate
Accounts Receivable/Sales Ledger	Final report issued	Adequate
Asset Management (incl. Asset Register)/Capital Accounting	Fieldwork completed.	Adequate*
Council Tax (including Council Tax Support Scheme)	Final report issued	Full
Housing Benefits	Final report issued	Adequate
Main Accounting Systems (MAS)	Final report issued	Adequate
National Non Domestic Rates NNDR	Final report issued	Adequate
Payroll	Final report issued	Adequate
SWIFT Financials	Fieldwork complete.	
Treasury Management	Final report issued	Full
Housing Rents including tenant arrears	Final report issued	Adequate
Cash And Banking (Non Invoiced Income)	Final report issued	Adequate
Improvement and Corporate Services		
Data Quality	Fieldwork in progress.	
Information Governance - application of framework	Fieldwork complete.	
Corporate Governance Reviews	Internal Audit to participate in End of Project Review	n/a
IT Disaster Recovery	Final report issued	Limited

* indicates provisional opinion

<u>Audit Title</u>	<u>Position of Review</u>	<u>Opinion</u>
SAP Support and Security	Fieldwork in progress	
Third Party Hosting	Scoping agreed	
IT Network Management and Security	Scoping agreed	
IT Governance Follow Up Audit	Fieldwork complete. Report being drafted.	
Finance		
Financial Procedures	Final report issued	Adequate
NNDR1 and 3 return - processes for assurance on compilation	Final report issued	Adequate
VAT audit	Final report issued	Adequate
Grants audit	Report currently being drafted.	
Children's Services		
Schools General - School Improvement	Rolling programme. 7 reports finalised to date. See below	
Tithe Farm Lower	Final report issued	Adequate
Church End Lower	Final report issued	Adequate
Shelton Lower	Final report issued	Adequate
Brewers Hill Middle	Final report issued	Adequate Adequate
Thornhill Lower	Final report issued	Adequate
Sandy Upper	Final report issued	Limited
Greenleas Lower School Follow Up	Final report issued.	Good Progress
Children's Centres	Fieldwork complete.	
Supporting Families Grant (Troubled Families)	Briefing Note issued for Consultancy work on Outcome Plan.	n/a
Social Care Health and Housing		
Framework/Mosaic	Fieldwork in progress	
Housing Repairs	The timing of this review is subject to progress on implementation of recommendations i.e. interface(see Recommendation Tracking report)	n/a

* indicates provisional opinion

<u>Audit Title</u>	<u>Position of Review</u>	<u>Opinion</u>
Residential care homes	Report currently being drafted	
Supporting delivery of new housing	Currently being scoped.	
Care Act/Better Care Fund integration	Deferred to 2017/18	n/a
Client Charging		
Community Services		
Car Parks	Final report issued	Adequate
Review of Leisure Centres Outcomes	Deferred until 2016/17	n/a
Regeneration and Business Support		
European Social Fund	Draft Report issued	Adequate*
S106	Fieldwork in progress	
Contracts and Partnerships		
Contract Management	Scoping agreed	

Public Health		
Public Health - Follow-up on Data Quality, Health checks offered to 40-74	Fieldwork Complete	
Information Management – Public Health	Briefing note issued	n/a
Special Investigations		
National Fraud Initiative (NFI)	On-going throughout year	n/a
Special Investigations	Ongoing throughout year	n/a
Pro Active Anti Fraud:		
Financial assessment & charging processes for residential care	Scoping agreed	
Cash income	Fieldwork in progress	
Bank Imprest Accounts	Fieldwork complete.	
Use of purchasing Cards	Fieldwork complete.	
Consultancy etc.		
Major projects - Consultancy	See par 27 of report	n/a
Risk Management Activities	On-going throughout year	n/a
Supporting Annual Governance Statement	14/15 AGS finalised 15/16 to be presented to June Audit Committee	n/a

* indicates provisional opinion

<u>Audit Title</u>	<u>Position of Review</u>	<u>Opinion</u>
Audit of Individual Grants	On-going throughout year	includes Broadband claim and Flood Resilience Grant, S256 and Local Transport Grants
General Advice	On-going throughout year	n/a
Head of Audit Chargeable Against Plan	On-going throughout year	n/a
Benchmarking Exercise	Completed	n/a
Contingency	This has been used to supplement the general advice and consultancy budget and audits where additional work was required.	n/a

Key Issues arising from finalised reviews

1. 2015/16 Accounts Payable

This review covered policies and procedures, and the Accounts Payable processes, including ordering, goods receipting, authorisation of invoices, reconciliations and controls over master data. The review also considered material supporting systems, covering agency recruitment, Amey, Waste Services and project bank accounts. Although the overall audit opinion was adequate, the change of provider for agency staff effective from November 2014 resulted in interim control procedures being introduced with a reduction in the control environment for a significant area of activity for the latter half of 2014/15 and the first half of 2015/16. A detailed audit review is scheduled for 2016/17.

2. 2015/16 Accounts Receivable

This review covered policies and procedures, and the Accounts Receivable processes, including invoicing, amendments, accounting arrangements, debt monitoring and write offs. The overall audit opinion was adequate.

3. 2015/16 Main Accounting System

This review covered policies and procedures, accounting for financial transactions, journal entry controls, transfers from feeder systems, controls to ensure accuracy, and reporting mechanisms. The overall opinion was adequate.

4. 2015/16 Cash and Banking

This review covered policies and procedures and the processes for ensuring transactions are recorded and supported by appropriate documentation. It also reviewed the access controls and the contract for the provision of the Capita income system. The overall audit opinion was adequate.

5. 2015/16 Payroll

The review covered policies and procedures, controls over standing data, the accuracy of payments and deductions, controls over payments to and received from statutory agencies, the accurate posting of data, and compliance with legislative requirements. The overall audit opinion was adequate. Work on Phase 2 is in progress; however, there are no significant findings to date.

6. 2015/16 Housing Rents

This review covered policies and procedures and the processes to support the calculation, receipt and recording of amounts due, including tenant arrears. The audit opinion was adequate.

7. 2015/16 Treasury Management

This review covered policies and procedures, compliance with existing statutory and best practice guidance, performance monitoring, authorisations, accounting treatment, cash flow, investment and borrowing controls and separation of duties. The overall audit opinion was full assurance.

8. 2015/16 NDR

This review covered the NDR processes including the identification and recording of commercial properties, amendments to accounts, discount and exemption processes, overdue account monitoring and recovery action, write offs, the recording of transactions within the authority's accounts, billing processes and business continuity procedures. The overall audit opinion was adequate.

9. 2015/16 Council Tax (including Council Tax Support Scheme)

The scope of this review was similar to the above, but covering Council Tax and therefore domestic properties. The review included a review of the Council Tax Support Scheme controls. The overall audit opinion was full assurance.

10. 2015/16 Housing Benefits

This review covered processes from the receipt of correspondence, assessment of claims, supporting evidence, payment processes, fraud detection, system security arrangements and compliance with DWP requirements. It also gave assurance on the resolution of issues that have been raised by external auditors in relation to the Council's Housing Benefit Subsidy Claim. The overall audit opinion was adequate.

11. SWIFT Financials

SWIFT financials provides key accounting functionality to directorates providing social care services. This review covered input processing and output controls, data back up arrangements, and the audit trail. Although the report has not yet been finalised, no significant issues of concern have been identified

12. Asset Management

The review covered policies and procedures, capital expenditure, depreciation, disposals, impairments and security of assets. Although the report has not yet been finalised, no significant issues of concern have been identified.

13. ICT Contract Management

This exercise reviewed the procurement and management of the SAP 3rd line support and consultancy services contract. Some areas for improvement were identified for future procurement exercises, including the need to retain supporting documentation.

14. Domiciliary Care Framework Agreement

The scope of this review considered the operation of the Domiciliary Care Framework agreement and included an assessment of whether care packages were being allocated to providers in line with the Framework, and the performance monitoring arrangements. A draft report has been issued with an adequate opinion.

15. Information Governance – Transparency Code

The purpose of this audit was to determine whether the Council meets the 2015 Transparency Code's publishing of information requirements and to provide assurance to senior management that there are arrangements in place to ensure that published information is maintained in an accurate, complete and timely manner. This comprehensive review covered governance and monitoring arrangements, information which must be published, information recommended for publication criteria and method of publication. Although instances were found where the Council was not fully compliant with the requirements at the time of the audit, action has been agreed to address the gaps and the overall audit opinion was adequate. Internal Audit is monitoring progress.

16. Integrated Asset Management System (IAMS)

The Integrated Asset Management System is an externally hosted web based system which manages the Council's property and asset portfolio. The purpose of the audit was to provide assurance to management that key controls associated with the confidentiality, integrity and accuracy of information within IAMS were operating effectively to mitigate, or minimise, risks associated and fraudulent activity with the system and its processes. The review considered security, input and output controls. The overall audit opinion was adequate.

17. Direct Payments

A Direct Payments audit was undertaken during 2013 and a number of areas for improvement were identified. The purpose of this follow up review was to ensure that key controls associated with the Direct Payments for Care System were operating effectively. The review covered policies and procedures, monitoring and critical challenging of client usage of Direct Payment funds, expediting and checking of returns/supporting paperwork and recovery of overpayments made. The audit found that there had been a significant improvement in controls since the previous review. A draft report has been issued with an adequate audit opinion.

18. Housing Tenancy Management

The purpose of the audit was to provide assurance to management that key controls associated with Housing Tenancy Management are operating effectively and the requirements of the Localism Act 2011 are being adhered to. In doing so, the audit examined the Housing Tenancy Strategy and mechanisms for monitoring its effectiveness, adherence to relevant policies, procedures and statutory requirements in order to ensure tenancies are not obtained fraudulently, the setting up and monitoring of new tenants, changes in tenancies, and the accurate and timely reflection of these changes in the Housing Management system (QL). The overall audit opinion was adequate assurance.

- 19. Residential Care Homes – Review opening balances on clients’ funds**
Each care home maintains a separate bank account for holding the personal allowances balances with a cash float being held locally for day to day expenses and spreadsheets are used to record individual balances. The primary focus of this audit exercise was to review the opening balances on client funds (personal allowances) transferred from BUPA and to provide assurance to management that key controls associated with the administration and management of these funds are operating effectively to mitigate, or minimise, risks associated with erroneous, or fraudulent, activity within the system and its processes. The overall audit opinion given was limited assurance. A number of recommendations were made, aimed at improving the mechanisms for accounting for the funds, and ensuring that there is a clear audit trail and separation of duties.
- 20. Residential Care Homes – Payroll Due Diligence**
Ongoing assurance work has been undertaken on the records and data transferred relating to Older People’s Care Homes. Internal Audit has been working with Human Resources to resolve any outstanding issues. No significant issues were identified.
- 21. Care Homes – Accreditation Scheme for Dementia**

The purpose of the audit was to provide assurance to management that key controls associated with the Accredited Scheme for Dementia (Dementia Quality Mark Framework) for Care Homes are operating effectively. This involved a review of processes for awarding the Dementia Quality Mark (DQM) accreditation to the homes and for making the resulting premium payments to the home providers. The overall audit opinion given was adequate assurance.
- 22. Public Health Compliance with Best Practice – Obesity Management**
The scope of the audit was the provision of lifestyle weight management services to overweight or obese patients. The purpose of the audit was to provide assurance to management on the extent of the service’s compliance with the recommendations of NICE Guidance 53: Managing Overweight and Obesity in Adults – Lifestyle Weight Management Services. Compliance with the NICE recommendations should help the service meet a range of Public Health goals. The overall audit opinion given was adequate assurance.
- 23. Proactive Anti- Fraud Care Homes Amenity Funds**

Amenity funds are mechanisms for raising additional funds for the benefit of residents in social care establishments; this audit focussed on those Amenity funds operating in the 7 Residential Care Homes transferred to the Council in August 2014 previously managed by BUPA. The review included policies and procedures, bank account administration and reconciliation arrangements, and the systems for recording transactions. The overall audit opinion given was adequate assurance.

24. IT Disaster Recovery

The purpose of the audit was to provide assurance to management that key controls associated with IT Disaster Recovery (including back up and restore arrangements) are operating effectively. There are a number of fundamental systems including Main Accounting, Payroll, Accounts Payable, Accounts Receivable, Asset Management, Council Tax, NNDR and Housing Rents which rely upon the robustness of the underlying ICT infrastructure and the organisation must ensure that effective and adequate controls are in place and that all financial transactions are managed, recorded and reported and that fraud is minimised. The review covered the identification of critical systems, risk assessments, roles and responsibilities, disaster and escalation procedures, salvage and relocation procedures, recovery and back up arrangements. The audit identified that a comprehensive IT DR plan has still to be finalised, and the overall audit opinion was limited assurance.

25. Financial Procedures

The purpose of the audit was to provide assurance to management that key controls associated with drafting and up-dating Financial Procedures are operating effectively. The overall audit opinion was adequate assurance.

26. NNDR 1 and 3 Return – Processes for Assurance on Compilation

This audit reviewed the processes in place for the compilation of the NNDR 1 and 3 returns. The NNDR 1 return is completed to provide the Department for Communities and Local Government with forecast figures, and the NNDR3 return reflects the actual figures. The overall audit opinion was adequate assurance.

27. VAT Audit

The purpose of the audit was to provide assurance to management that key controls associated with the VAT – Output Tax system are operating effectively and in doing so examined relevant procedures, master data records for material codes, the VAT treatment of “sales” invoices, non invoiced income, credit notes and bad debts and the monthly VAT Returns to HMRC. The audit also included a review of the annual partial exemption calculation. The overall audit opinion was adequate assurance.

28. Schools

The audit reviews for schools focus on the main systems, including purchasing, financial management, payroll, financial returns, governance, asset management and data management, bank accounts and the administration of the school fund. Consideration is also given to any concerns raised by the Schools Finance Team, or the Head Teacher.

Following each audit, an action plan is prepared and agreed with the school. Where any significant weaknesses are identified, a follow up audit visit is undertaken to provide assurance that the agreed actions have been implemented.

29. Supporting Families Grant (Troubled Families)

Internal Audit has been involved in various stages of the Supporting Families (Troubled Families) Programme. The DCLG Financial Framework for the Expanded Troubled Families Programme sets out the aims and requirements of the programme and these include the principles for identifying families, measuring and reporting success and claiming results funding. Local authorities are required to develop descriptions and definitions of the outcomes and measures that constitute and demonstrate significant and sustained progress for all troubled families. These measures are agreed locally and set out in a Troubled Family Outcomes Plan. The Outcomes Plan for Central Bedfordshire is called the Supporting Families Outcome Plan. Internal Auditors are also required to be consulted on the plan and should jointly agree with the Troubled Families Coordinators the evidential expectations required to claim results. Audit work undertaken this year has included a review of the Supporting Families Outcome Plan to ensure that it meets DCLG requirements. No audit opinion has been given for this work, but a number of recommendations were made to enhance the plan and to ensure that the evidence for future claims is robust.

30. Car Parks

The purpose of the audit was to provide assurance to management that key controls associated with Car Parks – Cash Collection are operating effectively and in doing so examined the contract, policies and procedures, charges, regularity of collections and banking, cash security, accounting for VAT and performance management reporting. The overall audit opinion was adequate assurance.

31. European Social Fund

The purpose of the audit was to provide assurance to management that key controls associated with the European Social Fund and the European Regional Development Fund are operating effectively and in doing so examined governance arrangements, payments to providers, quarterly returns, procurement and match funding. ESF and ERDF funding within Central Bedfordshire is likely to increase significantly over the next few years. It was agreed that the audit would review the current governance arrangements and systems and processes with a view to identifying any learning points that would add value to future arrangements. A draft audit report has been issued with an adequate audit opinion.

32. Information Management – Public Health

This review considered information management within Public Health, focussing on personal data. At the audit scoping meeting it was determined that very little personal data was held and the review would therefore focus solely on information management within the Teenage Pregnancy Support Pathway service and a briefing note would be prepared. No significant issues were identified.

This page is intentionally left blank

APPENDIX B

Audit Opinions

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

This page is intentionally left blank

Central Bedfordshire Council

Audit Committee

27 June 2016

Risk Update Report

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

Contact Officer: 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 June 2016.

RECOMMENDATION

The Committee is asked to:

1. 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 this is the responsibility of the Audit Committee.

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 June 2016. At the time of the last Committee a fundamental refresh of the risk register was in progress. A number of additional strategic risks had been identified and work was being carried out to fully assess and document these risks and to ensure that, where possible, appropriate mitigating actions were in place. It was agreed that an update report would be presented to this meeting.
4. This update reflects the progress made in developing these risks and also includes an update on the other risks contained within the register.

Strategic Risks

5. The June 2016 risk report is contained at Appendix 1. The report contains 14 risks, including the risks identified as part of the refresh.
6. There are 10 strategic risks with a residual risk score of 9 or more. A score of 9 or more generally represents an unacceptable risk exposure, with further mitigation required.
7. The strategic risks facing the Council are considered in two sections within this report. The first section considers the risks identified as part of the refresh, and the second section considers revisions to the risks that were already included within the strategic risk register.

Additional strategic risks added:

8. Following the fundamental refresh of the risk register in February, 8 additional strategic risks were identified. These are now considered in more detail, along with the residual risk scores. All the additional risks have been accepted as strategic risks by senior management.
9. STR0031 - The capacity of the Council to deliver services in the light of the scale of the efficiencies we need to make has been considered, taking into account the increasing importance of our income from NNDR, the impact of changes to HRA financing and the anticipated transfer of new responsibilities to councils without the concomitant funding, such as the administration of attendance allowances. This risk also reflects the impacts of shifts in Government policy, for example, the impact of the potential move of all schools towards Academies. Although the inherent risk score was determined at 25, the mitigating actions in place have resulted in a residual risk score of 9 (impact 3 and likelihood 3). This reflects the actions in place to sign up to “The Certainty Deal” and also longer term financial planning and the Four Year Settlement.
10. STR0032 - The risk of not being able to access a sustainable market for social care at a reasonable price as a result of the implementation of the National Living Wage and other legislation has been considered, along with its impact on the wider economy. The consequences include pressures on the Council’s budgets, instability in the care market, and potential reductions in the capacity and quality of care. The inherent risk score is 20. The mitigating actions identified have resulted in a residual risk score of 12 (impact 4 and likelihood 3).
11. STR0033 - The impact of cyber crime has also been considered. This is an area of regular media coverage. The consequences include poor performance, loss of data, financial loss, reputational damage and non compliance with data protection legislation. This risk has been discussed with the Chief Information Assets Owner and a number of mitigating actions are in place. The inherent risk score is 12 and the residual risk score is 6 (impact 2 and likelihood 3).

12. STR0034 - The failure to deliver the Organisational Development Plan has also been identified as a potential strategic risk. Failure to deliver could result in not achieving the Council's objectives, low staff morale, and a lack of service improvement. The inherent risk score is 16. However, a refreshed programme with six work streams has been developed, and the new programme was launched at an event in April, with engagement from managers across the Council. As a result, the residual risk score is 8 (impact 4 and likelihood 2).
13. STR0035 - The failure to deliver major transformation programmes, particularly within Children's Services, resulting in service delivery failure and also failing to deliver budget efficiencies is another strategic risk that has been considered. The inherent risk score is 16. Although a number of mitigating actions have been identified, including the work of the Social Work and Early Help Academy, additional budget monitoring, and a project plan with milestones and KPIs it is acknowledged that the delivery of the transformation programme remains a high risk, and the residual risk score is 16 (impact 4 and likelihood 4).
14. STR0036 - The risk of failing to deliver community cohesion in the context of demographic growth in Central Bedfordshire has also been considered. There is a need to enhance a sense of community and secure equal access to facilities within those communities. Failing to achieve these objectives could result in inequity, enhanced deprivation in some areas, pockets of extreme vulnerability, social isolation, and anti social behaviour. The inherent risk score is 16. Although some mitigating actions are in place, the residual risk score currently remains at 16 (impact 4 and likelihood 4). Further future actions aimed at mitigating this risk have been identified.
15. STR0037 – The risk of failure to support vulnerable people and families, including facets of access to accommodation, welfare reform and low levels of income has also been considered. This could result in increased homelessness, lack of access to suitable accommodation, increased child and family poverty, an increased dependency on the Council, an increase in children being taken into care and negative health and emotional impacts. The inherent risk score is 16. However, a number of mitigating actions have been identified, covering addressing housing needs, supporting welfare provision, and the implementation of both Early Help and Neglect strategies. The residual risk score is 9 (impact 3 and likelihood 3). A number of additional actions to also help further mitigate this risk have been identified.
16. STR0038 - The final additional strategic risk identified relates to the fragility of the emergency planning and business continuity functions across partners and the impact of this on the Council's ability to deliver its objectives. A particular facet relates to emergency planning and resilience in amongst health partners. The consequences include failing to respond appropriately to health emergencies and failing to protect vulnerable

people. This could have negative health impacts. A number of mitigations have been identified, which include the work of the Bedfordshire Local Resilience Forum and the Local Health Resilience Partnership. The inherent risk score is 16 and the residual risk score is 12 (impact 3 and likelihood 4).

Revisions to existing strategic risks

17. The Finance risk (STR0001) has been updated to reflect the £15.3 mil. savings required for 2016/17 and also the additional action that has been taken to mitigate this risk, including the increase in Council Tax, the Social Care Levy and the Certainty Deal. There has been no change to the residual risk score.
18. Both the Growth strategic risk (STR0003) and the risk of failing to adopt a Community Infrastructure Levy (CIL) (STR0027) have been reviewed. There is an inter relationship between the two risks. The Council has been advised that it is not possible to progress the adoption of the CIL until a Local Plan is in place. Not being able to adopt a CIL is, therefore, an additional consequence of not having a Local Plan. The two risks have therefore been combined. STR0003 has been removed from the register and the description of STR0027 has been amended to reflect the risk of failing to adopt a Local Plan and a CIL. The residual risk score is 16 (impact 4 and likelihood 4).
19. STR0010 relating to the risks associated with failing to recruit and retain professional and qualified social workers within Children's Services has been reviewed. The emphasis of this risk relates to resource, specifically the social care work force. It has been activity addressed over a period of time reducing its residual risk during the monitoring periods. The Council has seen stability in the workforce and the securing of permanent workers in place of agency workers. This has changed the residual risk which is now scored at 8 (impact 4 and likelihood 2) a position it is hoped to maintain. As a result, this risk is no longer considered to be a strategic risk and will be managed at an operational level.
20. STR0013 relating to Information Management risks has been reviewed. The mitigating actions reflect the work undertaken on updating Council wide retention schedules to meet legislative and operational retention requirements. There has been no change to the residual risk score of 8 (impact 4 and likelihood 2). The description of this risk has also been amended to reflect that the risk is now less about systems and processes and more about individual data breaches.
21. STR0019 relating to failure to deliver effective and cohesive health and social care to residents has been reviewed. The full description of this risk is "the risk to the Health and Social Care System and local residents brought about by significant changes in the National Health System". It has been constantly risk scored highly as there have been large scale changes in the NHS in direct provision and commissioned services at a

local and regional level, e.g. mental health provision. The risk score reflects that the Bedfordshire Clinical Commissioning Group (BCCG) continues to have issues around resourcing and management. There is continued uncertainty in respect of hospital services in Bedford and Milton Keynes. As a result, the residual likelihood score remains “likely” until there is a sustained improvement across the health sector.

The Council is taking a number of mitigating actions. These include:

- working very closely with BCCG’s new leadership to ensure good partnership working. This includes the Better Care Fund governance arrangements and plans and through BCCG’s Budget Recovery Plan.
- working closely with its health partners on the Community Health Service re provision.
- working with the BCCG, BBC, Luton Borough Council, Luton CCG, Milton Keynes Council and Milton Keynes CCG on the Sustainability Transformation Programme. This is the NHS’s new wider ‘footprint’ that covers all of Bedfordshire and Milton Keynes, and
- The Kings Fund is now supporting BCCG, CBC and Bedford Borough Council (BBC) to develop a joint vision for integration.

There has been no change to the residual risk score.

22. The following three risks have also been reviewed and are now considered to be operational:

- STR0022 relating to non compliance with procurement procedures
- STR0024 relating to non realisation of capital receipts
- STR0028, relating to the risk of failing to deliver the requirements of the Care Act. (However, this will need to be reconsidered nearer to April 2020, pending the implementation of Part 2 of the Care Act).

These risks have been removed from the strategic risk register but will be kept under review.

23. There have been no changes to the remaining strategic risks.

Operational Risks

24. 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.

25. The dashboard has listed the 7 operational risks with a risk score of 15 or above. There have been no revisions since the last report.

Council Priorities

26. 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

27. None directly from this report.

Financial Implications

28. None directly from this report.

Equalities Implications

29. None directly from this report.

Conclusion and next Steps

30. 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.

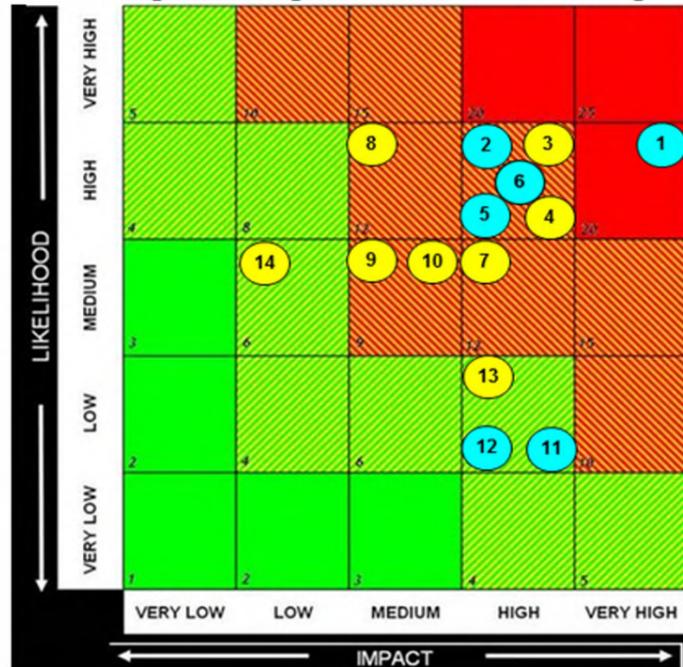
Appendices

Appendix A – June 2016 Risk Summary Dashboard

Background Papers

None

CBC Strategic Risk Register - Residual Risk Rating



#	Reference	The	2013/14		2014/15		2015/16			2016/17	
			Dec	Mar	Sept	Dec	Mar	Sept	Dec	Mar	May
1	STR0019	The risk to the Health and Social Care System and local residents brought about by significant changes in the National Health system.	15	15	20	20	20	20	20	20	20
2	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	12	12	16	16	16	16
3	STR0035	Failure to deliver major transformation programme within Children's Services.									16
4	STR0036	Failure to deliver social cohesion.									16
5	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	16	16	16	16	16	16
6	STR0027	Failure to adopt a Local Plan and Community Infrastructure Levy (CIL) .				20	16	16	16	16	16
7	STR0032	Unsustainable market for social care.									12
8	STR0038	Ineffective partnership response to emergency planning.									12
9	STR0031	The capacity of the Council to deliver services in the light of further shifts in Government Policy.									9
10	STR0037	Failure to support vulnerable people, which results in higher demand for more intensive services.									9
11	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	12	8	8	8	8
12	STR0013	Information Management: Risk of individual data breaches as a result of carelessness and failing to change working practices/culture	15	15	12	12	12	8	8	8	8
13	STR0034	Failure to deliver the Organisational Development Plan.									8
14	STR0033	The impact of cyber crime.									6

Overview of Risk Position - June 2016
 The risk with the highest residual risk score remains:
 STR0019 - The risk to the Health and Social Care System and local residents brought about by significant changes in the National Health system.

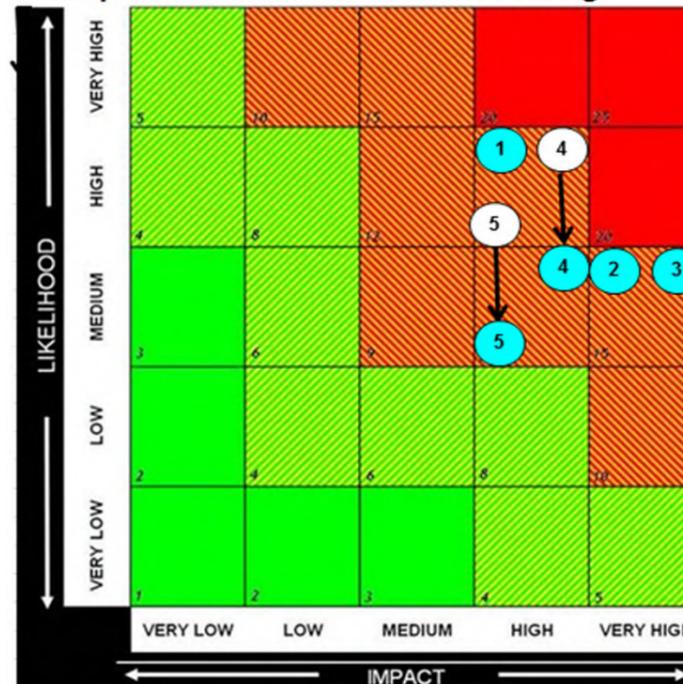
The following risks have been removed:
 STR0003 - Growth (merged with STR0027)
 STR0010 - Failure to recruit and retain social workers within Children's Services and discharge the Council's statutory children's safeguarding responsibilities
 STR0022 - Failure to adhere to Procurement rules
 STR0024 - Asset Disposal programme - Failure to realise capital receipts
 STR0028 - Failure to deliver the requirements of the Care Act.

Revisions to the descriptions or mitigating actions/further actions have been made to the following risks:
 STR0001 - Finance risk
 STR0013 - Information management risk
 STR0019 - Risk to Health and Social Care System.

The following risks have been added:
 STR0031 - The capacity of the Council to deliver services in the light of further shifts in Government policy
 STR0032 - Unsustainable market for social care
 STR0033 - The impact of cyber crime
 STR0034 - Failure to deliver the Organisational Development plan
 STR0035 - Failure to deliver major transformation programme within Children's Services
 STR0036 - Social Division
 STR0037 - Failure to support vulnerable people, leading to higher demand for more intensive services
 STR0038 - Ineffective partnership response to Emergency Planning

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

CBC Operational Risks - Residual Risk Rating



#	Reference	Nature of Risk	2013/14		2014/15		2015/16			2016/17	
			Dec	Mar	Sept	Dec	Mar	Sept	Dec	Mar	May
1	CHS0005	Failure to retain and recruit staff within Children's Services.		16	16	16	16	16	16	16	16
2	CHS0023	Failure to manage and secure information leading to security alert and privacy breach.					15	15	15	15	15
3	SUC030007	Traffic accidents causing damage to network	12	12	12	12	12	15	15	15	15
4	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	12
5	SCH0008	Insufficient capacity, expertise and competency to deliver Adult Social Care and Housing agenda.	16	16	16	16	16	16	16	16	12

Key
 New Risk (Yellow circle)
 Current Position (Blue circle)
 Previous Position (White circle)

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

APPENDIX A

This page is intentionally left blank

Central Bedfordshire Council

Audit Committee

27 June 2016

Tracking of Internal Audit Recommendations

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

Contact Officer: 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:

1. 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 this is the responsibility of the Audit Committee.

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 presents the regular summary of high priority recommendations made to date, along with the progress made against implementation of those recommendations, as at the end of May 2016.

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 IT Disaster Recovery) audit. Internal Audit undertook a further audit review of IT Disaster Recovery during 2015/16. Three high priority recommendations were made, including the previous recommendation that a Disaster Recovery plan should be developed. Two remain outstanding and these are detailed in Appendix A (recs. 1-2). The Committee agreed at their April 2016 meeting that the Chief Information Assets Officer would be invited to attend the September Committee meeting to provide an update on the progress made in developing and approving the Information Technology Disaster Recovery Plan.
6. One high priority recommendation made during 2013/14 remains outstanding. This relates to the reconciliation of Housing Repairs expenditure held in QL to SAP. The current position is detailed at Appendix A (rec.5)
7. 4 reports containing high priority recommendations were issued during 2015/16, and 8 high priority recommendations were made. In addition the controls testing of the revised Comensura (Agency Staff recruitment) system processes introduced in late October 2015 resulted in 4 new high priority recommendations being made. These are summarised at Appendix B.
8. 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.
9. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the fundamental system audit reviews.

Future Monitoring

10. 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

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

Corporate Implications

Legal Implications

12. None directly from this report.

Financial Implications

13. 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

14. None directly from this report.

Conclusion and next Steps

15. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.

16. 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 – Details of recommendations made during 2013/14, 2014/15 and 2015/16 that remain outstanding

Appendix B – Summary of monitoring of High Priority Internal Audit recommendations - Reports issued during 2015/16 and 2016/17 to date

Background Papers

None

This page is intentionally left blank

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

Improvement and Corporate Services

IT Disaster Recovery (including back up and restore arrangements)

<p>Recommendation R1: (Carried forward from previous audits) A disaster recovery plan should be developed and approved. As a minimum, this should include:</p> <ul style="list-style-type: none"> • 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 • the recovery and reconfiguration of all IT and communications systems • details of additional accounts where monies may be sourced to aid recovery efforts • a schedule in respect of the testing of the plan
<p>Rationale for Recommendation: As has been previously reported to the Committee, a thorough review of the existing data centre provisioning at CBC is in progress. It is anticipated that there will be significant changes made in the technologies in use and how they are supported. ICT is undertaking to deliver a refreshed and renewed DR plan.</p>
<p>Target Dates: September 2015 (Original) April 2016 (Revised, tender decision made) March 2017 (Revised plan pursuant to the tender outcome.)</p>
<p>Current Position and Explanation for Slippage: An OJEU tender to replace the existing data centre capacity with professionally managed capacity returned offers that were deemed to be too expensive. An internal process is now underway to move to CBC managed cloud capacity and will commence when the annual PSN compliance work is finished in July 2016. The full move of capacity is hoped to be completed by the end of March 2017. Target date for security updates has been adjusted to match the strategy.</p>

<p>Recommendation R2: A review of resources alongside disaster recovery processes should be undertaken to confirm if the Council could cope without third party support and expertise. Arrangements should be clearly documented in the DR Plan.</p>
<p>Rationale for Recommendation: The Council no longer has a contractual agreement with an external party for the recovery of services.</p>
<p>Target Dates: September 2015 (Original) April 2016 (Revised)</p>
<p>Current Position and Explanation for Slippage: This is subject to the agreed action in the recommendation above.</p>

Social Care, Health and Housing

Housing Tenancy Management

<p>Recommendation R3: The Director of Social Care, Health and Housing and the Director of Regeneration and Business should clarify how housing responsibilities are allocated across their directorates. This should include the responsibility for and ownership of the Tenancy Strategy.</p>
<p>Rationale for Recommendation: The Housing Tenancy Strategy was drafted by the Assistant Director - Housing Services with an Executive Foreword jointly signed by the Executive member with responsibility for Social Care, Health and Housing and the Director of Social Care Health and Housing (SCHH). It was approved by the Executive in March 2013 however during the course of this review it became apparent that responsibility for and ownership of the strategy is unclear. Discussions between the Director of Social Care, Health and Housing and the Director of Regeneration and Business confirmed that housing responsibilities lie across 2 Directorates, SCHH and Regeneration and Business, and that both Directors will clarify how this will be addressed.</p>
<p>Target Dates: November 2015 March 2016 (revised) August 2016</p>
<p>Current Position and Explanation for Slippage: Housing responsibilities across the directorates have now been considered. In light of this, a review of the Constitution is being undertaken to ensure it accurately reflects the responsibilities identified.</p>

<p>Recommendation R4: A Monitoring Group should be established, with clear terms of reference, to monitor and review the effectiveness of the Tenancy Strategy.</p>
<p>Rationale for Recommendation: Each Provider is responsible for its own individual tenancy policies, as well as arrangements for review and appeals. However, the Tenancy Strategy proposed that the Council establish a monitoring group consisting of representatives of registered providers and other key stakeholders. This group is meant to support the Council in its role of monitoring and reviewing the effectiveness of this Strategy but the group is yet to be set up.</p>
<p>Target Dates: November 2015 March 2016 (revised) August 2016</p>
<p>Current Position and Explanation for Slippage: This will be addressed as part of the action plan being developed in response to the earlier recommendation.</p>

Recommendation R5:

Housing Repairs expenditure in QL and SAP should be regularly reconciled.

Rationale for Recommendation:

There is no reconciliation between Housing Repairs expenditure in QL and SAP. Actions to resolve this are defined within an invoice review process. Three specific objectives are to be achieved:

- 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.

Target Dates:

End September 2014
 End March 2015 (revised)
 End June 2015 (revised)
 October 2015 (revised, self billing)
 January 2016.(revised)
 June 2016 (see below)
 July 2016 (see below)

Current Position and Explanation for Slippage:**Progress since last update:**

Since the last update, the stakeholders remain the same and continue to work together (including Corporate IT and the software supplier) and some progress is being made on the QL/SAP interface. IT continues to manage the project structure including the deliverables and timeline. Preparations are underway for some user acceptance testing in mid June 2016, once our IT providers complete their development work.

Action 1 - From the Business Requirements Document (BRD) produced in January 2016 the reconciliation of repairs works invoices is being tested. In the interim however, testing of accurate reconciliation between operational and finance teams is underway aiming for clarity by the end of June 2016. This is an interim measure that has been agreed, while the IT solution is awaited. Advice and support is being supplied by Audit.

The suppliers remain engaged in updating the SAP/QL interface, to enable an automatic reconciliation of the 2 systems.

Action 2 -The trial of the process with a major contractor continues including pre-payment on account. A roll-out plan to progress the trial with more contractors is in place. The issue of user error is being addressed ongoing within the service. A further reconciliation test is being carried out in June 2016 to confirm orders transfer.

Action 3 - Operational processes, delegation authorities and accountability have all been documented and signed-off as a result of the original project and audit requirements. Regular audits of user authorisation levels and delegation (separation of duties) are also carried out to ensure we meet audit recommendations.

This page is intentionally left blank

Details of Monitoring of High Risk Internal Audit recommendations as at End May 2016

Reports issued during 2015/16 and 2016/17 to date

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. A
IMPROVEMENT AND CORPORATE SERVICES									
Accounts Payable Phase 2 (Comensura) 2014/15	13/08/2015	31/10/2015	2	2					
SAP Access and Security	28/05/2015	28/05/2015	1	1					
IT Disaster Recovery	29/09/2015	30/09/2015	3	1		2			Recs. 1-2
Accounts Payable Phase 2 Comensura 2015/16	17/05/2016	31/07/2016	4		4				
SOCIAL CARE, HEALTH & HOUSING									
Housing Tenancy Management	04/09/2015	30/11/2015	2			2			Recs.3-4
Total			12	4	4	4			

This page is intentionally left blank

Central Bedfordshire Council

Audit Committee

27 June 2016

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. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
8. Report authors will be encouraged to work with the Corporate Policy Advisor (Equality & Diversity) in order to ensure that relevant equality implications are identified.

Conclusion and next Steps

9. 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

2015/16 Municipal Year	
4 April 2016	<ul style="list-style-type: none"> • External Audit Plan 2015/16 (NH) • Annual Counter Fraud Update (GM) • Annual Review of Risk Based Verification Policy for Housing Benefit and Local Council Tax Support Assessments (GM) • Outcome of External Assessment of Internal Audit by CIPFA (KR) • Risk Update Report (KR) • Tracking of Internal Audit Recommendations (KR) • Internal Audit Progress Report (KR) • 2016/19 Internal Audit Plan (KR) • Work Programme (LM)
2016/17 Municipal Year	
27 June 2016	<ul style="list-style-type: none"> • Unaudited Statement of Accounts 2015/16 (presentation) (CW/RG) • Annual Audit and Certification Fees 2016/17 (NH) • External Audit Progress Report (NH) • Public Interest Disclosure re. Procurement of Legal Services (NH) • Annual Governance Statement 2015/16 (QB) • Local Government Pension Scheme Update (RG) • 2015/16 Internal Audit Annual Audit Opinion (KR) • Tracking of Internal Audit Recommendations (KR) • Appointment of the Council's External Auditors Following the Expiry of the Current Contract with EY (KR) • Risk Update Report (KR) • Work Programme (LM)
26 September 2016	<ul style="list-style-type: none"> • Statement of Accounts 2015/16 (RG) • Audit Results Report 2015/16 (NH) • External Audit Progress Report (NH) • Update on Progress made in Developing and Approving the IT Disaster Recovery Plan (SC) • Risk Update Report (KR) • Tracking of Internal Audit Recommendations (KR) • Internal Audit Progress Report (KR) • Work Programme (LM)

Appendix A

<p>9 January 2017</p>	<ul style="list-style-type: none"> • Certification Annual Report 2015/16 (NH) • Annual Audit Letter 2015/16 (NH) • External Audit Progress Report (NH) • Local Government Pension Scheme Update (RG) • Statement of Accounts 2016/17 (RG) • Risk Update Report (KR) • Tracking of Internal Audit Recommendations (KR) • Internal Audit Progress Report (KR) • Work Programme (LM)
<p>3 April 2017</p>	<ul style="list-style-type: none"> • External Audit Plan 2016/17 (NH) • Annual Review of Risk Based Verification Policy for Housing Benefit and Local Council Tax Support Assessments (GM) • Risk Update Report (KR) • Tracking of Internal Audit Recommendations (KR) • Internal Audit Progress Report (KR) • Work Programme (LM)