

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 21 December 2017

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Monday, 8 January 2018 9.30 a.m.

Venue at

Room 15, Priory House, Monks Walk, 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), D Bowater,
P Downing, R Morris, D Shelvey and A Zerny

[Named Substitutes:

Cllrs R D Berry, Mrs J G Lawrence, I Shingler and N Warren]

All other Members of the Council - on request

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

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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 27 September 2017.

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 4G 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 4G of the Constitution.

Reports

- | Item | Subject | Page Nos. |
|-------------|--|------------------|
| 7. | Certification of Claims and Returns Annual Report 2016-17

To receive a report from Ernst & Young LLP summarising the results of the external auditor's work on Central Bedfordshire Council's 2016-17 housing benefit subsidy claim and other returns as appropriate. | * 13 - 26 |
| 8. | Annual Audit Letter for the Year Ended 31 March 2017

To consider the Annual Audit Letter from Ernst & Young LLP which sets out the key issues arising from the external auditor's work and which the external auditor feels should be brought to the attention of the Council. | * 27 - 50 |

9. **Audit Planning Report** * 51 - 90
- To consider a report from Ernst & Young LLP which provides the Audit Committee with a basis to review the company's proposed audit approach and scope for the 2017/18 audit and ensure that the audit is aligned with the Committee's service expectations.
10. **Update on Preparations for the General Data Protection Regulation (GDPR)** * 91 - 120
- To consider an update on preparations for the General Data Protection Regulation and the Council's plans for compliance.
11. **Statement of Accounts 2017/18** * 121 - 126
- To consider the key changes required to the Council's statutory Statement of Accounts for 2017/18.
12. **Local Government Pension Scheme Update** * 127 - 136
- To consider an update on the Local Government Pension Scheme (LGPS) fund performance and progress with pooling.
13. **Risk Update Report** * 137 - 146
- To consider an overview of the Council's risk position as at November 2017.
14. **Internal Audit Progress Report** * 147 - 156
- To consider an update on the progress of work by Internal Audit for 2017/18.
15. **Tracking of Internal Audit Recommendations** * 157 - 164
- To consider a summary of high priority recommendations arising from Internal Audit reports together with the progress made in their implementation.
16. **Work Programme** * 165 - 168
- To consider the Audit Committee's work programme.

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Wednesday, 27 September 2017

PRESENT

Cllr M C Blair (Chairman)
Cllr D J Lawrence (Vice-Chairman)

Cllrs D Bowater
P Downing
R Morris

Cllrs D Shelvey
A Zerny

Officers in Attendance:	Ms M Damigos Mr A Dodridge	Corporate Lawyer, LGSS Law Finance Manager – Financial Risk and Control
	Mr S Dykes Mr D Galvin Mr C Horne Mr L Manning Mr C Warboys	Information Security Manager Assistant Director Finance Head of Internal Audit and Risk Committee Services Officer Director of Resources
Others In Attendance:	Ms C Ryan	Manager – Ernst & Young LLP

AUD/17/15 Minutes

RESOLVED

that the minutes of the meeting of the Audit Committee held on 29 June 2017 be confirmed and signed by the Chairman as a correct record.

AUD/17/16 Members' Interests

Councillor Bowater declared an interest as both a Central Bedfordshire Council appointee to the Council of Governors on the Essex Partnership University NHS Foundation Trust (EPUT) and as a member of an EPUT committee set up to appoint an external auditor to the Trust and which had selected Ernst & Young LLP (see also minute AUD/17/20 below).

AUD/17/17 Chairman's Announcements and Communications

All attendees were asked to silence their mobile telephones.

AUD/17/18 Petitions

No petitions were received from members of the public in accordance with the Public Participation Procedure as set out in Part 4G of the Constitution.

AUD/17/19 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 Part 4G of the Constitution.

AUD/17/20 External Audit Results Report 2016/17

Members considered a report from Ernst & Young LLP, the Council's external auditors, which set out the outcomes from the external audit of the Council's 2016/17 financial statements and the conclusion of work to review the Council's arrangements for securing value money in its use of resources. The report also set out Ernst & Young's proposed audit opinion, findings and any recommendations requiring consideration prior to the approval of the 2016/17 accounts.

Points and comments included:

- Ernst & Young had discussed the level of indexation applied to the Council's dwellings with the finance officers. Following this discussion it had been agreed that the reflection of a 10% indexation would more accurately reflect the movement in the market based on a range of industry data and consultation by the external auditors with the company's own valuation experts. This had led to a material change of £40M which was reflected in Note 14 of the financial statements.
- The Director of Resources explained that the above valuation of the Council's dwellings was largely academic as the Council had no plans to dispose of its housing stock. Should this situation change then a valuation and due diligence exercise would be carried out. He acknowledged that discussion should have taken place earlier to avoid the matter arising as an issue and he undertook to do so in the future.
- The Director of Resources pointed out that the debate had also led to Ernst & Young taking the issue to consider in a wider context. In response to a query he added that there had been an impact in the form of increased insurance.
- Consideration was given to a significant value for money (VFM) risk in the form of the Council's work with its Sustainability and Transformation Plan (STP) partners. The Director of Resources reported that the first meeting of finance directors from health and local authorities had recently taken place as part of the attempt to work more closely and exchange information. The meeting noted that the unique situation that existed as a result of Central Bedfordshire Council's Chief Executive chairing the local STP.

(Note: At this point in the proceedings Councillor Bowater declared an interest as both a Central Bedfordshire Council appointee to the Council of Governors on the Essex Partnership University NHS Foundation Trust (EPUT) and as a member of an EPUT committee set up to appoint an external auditor to the Trust and which had selected Ernst & Young LLP).

- The Ernst & Young Manager stated that the company was satisfied with the Council's arrangements for working with its STP partners and the involvement of the Council's Chief Executive as the chair of the STP reflected the robustness of these arrangements. As a result there was nothing to report. The Director of Resources stated that the Chief Executive continued to perform all his duties for the Council despite the additional responsibilities he had.
- The Ernst & Young manager expressed her thanks to the Council's finance staff and to the Council in general for the co-operation and assistance that the company had received and stated that the Council found itself in a positive position for the next financial year. The Chairman commented that the Council was well served by its finance staff.
- With regard to the preparation of the 2017/18 unaudited accounts and meeting the associated deadline the Director of Resources acknowledged that, whilst there had been some issues for 2016/17, these had provided a useful learning experience and he was confident that the Council would meet the May 2018 deadline. In response to a query he stated that no sanction was imposed on those councils who missed the current deadline and they were only 'named and shamed'.

NOTED

the External Audit Results Report from Ernst & Young LLP which set out the results of its 2016/17 audit.

AUD/17/21 2016/17 Statement of Accounts

The Committee considered a report by the Director of Resources and Section 151 Officer which presented the 2016/17 Statement of Accounts for approval. A copy of the Statement was attached at Appendix A to the report. In addition a schedule of changes to the Statement of Accounts, certified by the Director of Resources on 29 June 2017, was attached at Appendix B. Last, a draft Letter of Representation was attached at Appendix C. With regard to the draft Letter, however, Members also had before them a revised version which had been published and distributed on 20 September 2017 and which superseded that circulated with the agenda.

Points and comments included:

- That the majority of the changes were presentational. With the exception of the change in the valuation of the Council's housing stock

none of the items impacted on the financial position of the Council as reported on 31 March 2017.

- The Vice-Chairman's suggestion that a press release be prepared given the positive outcome contained in the report before members. The Chairman, on behalf of the Committee, expressed his thanks to the finance officers for their efforts.

RESOLVED

- 1 that the 2016/17 Statement of Accounts for Central Bedfordshire Council, as set out at Appendix A to the report of the Director of Resources and Section 151 Officer and incorporating those amendments set out in the Schedule of Changes at Appendix B to the report, be approved;**
- 2 that the Annual Governance Statement for 2016/17, previously approved at the meeting of the Audit Committee on 29 June 2017, be published with the 2016/17 Statement of Accounts;**
- 3 that the Chairman of the Audit Committee and the Section 151 Officer be authorised to sign the 2016/17 draft Letter of Representation, as set out in the supplement to the agenda dated 27 September 2017, and the Letter be submitted to the Council's external auditor, Ernst & Young LLP.**

AUD/17/22.Update on the General Data Protection Regulation

The Committee considered a report which provided an update on the General Data Protection Regulation (GDPR) which was due to become enforceable from 25 May 2018 after a two year transition period.

Points and comments included:

- A Data Protection Bill was scheduled to be considered by Parliament in September 2017 with the aim of incorporating the requirements of the GDPR into UK legislation.
- A GDPR Working Group had been set up within the Council to monitor and implement the requirements of the GDPR within the authority.
- Appendix A to the report set out the recommended actions from the Information Commissioner's Office (ICO) and the Council's current position in response. The Information Security Manager commented that that the ICO was also attempting to interpret the requirements of the Regulations.
- The Information Security Manager stated that the Council was well advanced in its efforts to ensure compliance with the legislation and he was confident that all requirements would be met in time.
- The Council's data protection training was due to be reviewed in early 2018 and the review would take into account the impact of the Regulation. In addition, briefings for Members would also be arranged. The Information Security Manager assured Members that they would be

kept informed of the impact of the Regulation and any related developments.

- Following comment by a Member regarding the publication of a member of the public's address on the Council's website and the resulting complaint the Corporate Lawyer explained that where there was a legal requirement the Council could still make such information available in the public domain.
- A query by the Vice-Chairman on the gathering of data through covert operations. In response the Corporate Lawyer explained that such information was gathered as part of an investigation and would be destroyed in line with due process. She added that a report was to be submitted to a forthcoming meeting of the General Purposes Committee on the Regulation of Investigatory Powers Act (RIPA) 2000, which regulated the powers of public bodies to carry out surveillance and investigation.

RESOLVED

that an update on the General Data Protection Regulation be submitted to the next meeting of the Audit Committee on 8 January 2018.

AUD/17/23 Annual Governance Statement 2016/17

The Committee considered a report on amendments made to the draft Annual Governance Statement and sought Members' approval of the amended Statement.

Points and comments included:

- The draft Annual Governance Statement had been approved on 29 June 2017 (minute AUD/17/8 refers). It had since been considered by the Council's External Auditors and, in view of the comments received, section 5 (Significant Governance Issues) of the Statement had been amended to clarify and explain the issues within it and how the Council was dealing with them in more detail.
- A track changed version of the updated Statement which illustrated the proposed amendments was attached at Appendix B to the report.

RESOLVED

that the amended draft Annual Governance Statement for 2016/17 be approved for submission to the Leader and Chief Executive to be formally signed off subject to first incorporating the tracked changes set out within Part 5 of the document.

AUD/17/24 Risk Update Report

The Committee considered a report which provided an overview of the Council's risk position as at August 2017.

Points and comments included:

- At the request by the Corporate Management Team (CMT) all risks in the Strategic Risk Register had been reviewed and updated. Because of the scale of the changes full details had not been included in the report itself but could be found within Appendix B to the report. Members requested that this format be continued for future reports and the Head of Internal Audit and Risk undertook to do so.
- A Member's request that there be consistency in naming the risk score indices.
- That the funding for unpaid monies to carers for overnight stays would largely be dealt with by the care organisations themselves not Central Bedfordshire Council.
- Operational Risks had been omitted from the officer's update pending a more detailed review of processes.

NOTED

the strategic risks facing Central Bedfordshire Council as set out in the risk Register Dashboard and Strategic Risk Register attached at Appendices A and B respectively to the report of the Director of Resources.

AUD/17/25 Internal Audit Progress Report

The Committee considered a report outlining the progress made on Internal Audit work against the 2017/19 Internal Audit Plan up to the end of August 2017.

Points and comments included:

- A new approach to school audit visits, with the aim of reducing the time taken per school review overall and specifically on site, would be piloted later in the current term.
- Arrangements were being finalised for matching the lot winners to local authorities under the process for appointing external auditors through Public Sector Audit Appointments (PSAA) Ltd. The results would be announced on 14 December 2017.
- The vacancy for an Audit Manager in Internal Audit remained. In addition a Senior Auditor had resigned although the position had been filled by an internal candidate who was due to take up the role in October 2017.
- The resourcing and staffing issues experienced by Finance over the last year had impacted negatively on the KPIs for the Quarter. Some planned audits had not been carried out though high priority areas had, and would be, covered. A review was underway to reprioritise outstanding work and consider the possible use of temporary resources. The Vice-Chairman advised the meeting of the measures taken by one of the legacy authorities to ensure that suitable temporary staff

resources were available should they be required. In response the Director of Resources stated that whilst such measures were an option the cost had to be balanced against the risk. He added that the resignation of the Senior Auditor had been completely unexpected.

- The Chairman's reference to the 'Limited' opinion given by the Internal Auditor to Maulden Lower School. He contrasted this to the description of the school as 'Good' by the Office for Standards in Education, Children Services and Skills (Ofsted). In response the Head of Internal Audit and Risk explained that the bodies concerned each had their own areas of interest within schools and commented accordingly. He added that the majority of schools had not received a limited opinion

NOTED

the progress made against the 2017/19 Internal Audit Plan.

AUD/17/26.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.

NOTED

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

AUD/17/27.Work Programme

Members considered a report which set out the Committee's work programme.

The Committee was aware that it had already approved the submission of a further update on the General Data Protection Regulation (GDPR) to its next meeting.

The Director of Resources took the opportunity to remind the meeting that, in order to meet the relevant Regulation, the unaudited statement of accounts would be submitted to a meeting of the Audit Committee to be held by the end of May 2018 and the audited statement of accounts would be brought before a meeting of the Committee by the end of July 2018.

The Director of Resources indicated that, in view of the low levels of non-Audit Committee Member attendance at the unaudited statement of accounts meeting he would need to give consideration as to whether it was worthwhile continuing with the related presentation.

RESOLVED

that the proposed Audit Committee work programme, as attached at Appendix A of the report of the Committee Services Officer, be approved subject to adding the submission of an update on the General Data Protection Regulation for consideration by the Audit Committee on 8 January 2018.

(Note: The meeting commenced at 10.00 a.m. and concluded at 11.37p.m.)

Chairman.....

Dated.....

Central Bedfordshire Council

Audit Committee

8 January 2018

Certification of Claims and Returns Annual Report 2016-17

Report of Ernst & Young LLP

Neil Harris, Executive Director

Purpose of this report

To receive a report from Ernst & Young LLP summarising the results of the external auditor's work on Central Bedfordshire Council's 2016-17 housing benefit subsidy claim and other returns as appropriate.

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Certification of claims and returns annual report 2016-17

Central Bedfordshire Council

December 2017

Ernst & Young LLP





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The Members of the Audit Committee
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SG17 5TQ

December 2017
Ref: 17CBC/Certification

Email: nharris2@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 Central Bedfordshire Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Central Bedfordshire Council's 2016-17 claims and returns.

Scope of work

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

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

In addition to this, we also acted as reporting accountants in relation to 1 return outside the PSAA's regime.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £59,165,845. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments resulted in a marginal reduction in grant due of £2,159.



We will provide separate reports to the Council in relation to the Teachers Pensions return and the Pooling of Housing Capital Receipts return.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 8 January Audit Committee.

Yours faithfully

Neil Harris
Associate Partner
Ernst & Young LLP
Enc

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£59,168,004
Amended/Not amended	Amended – subsidy reduced by £2,159
Qualification letter	Yes
Fee – 2016-17	£24,908
Fee – 2015-16	£26,910

Recommendations from 2015-16	Findings in 2016-17
Given the Council has not yet seen a sustained improvement in accuracy levels, it should continue with its targeted quality control processes	The Council has continued to implement its quality control processes in a focussed manner, as described below. Our work has continued to identify errors in income assessment and overpayments misclassification.

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

The certification guidance requires auditors to complete more extensive ‘40+’ or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

Incorrect income assessment leading to underpaid and overpaid benefit	Testing identified underpaid and overpaid benefit mainly as a result of miscalculating claimant income. As there is no eligibility to subsidy for benefit that has not been paid, the underpayments identified did not affect subsidy claimed and were not classified as errors for subsidy purposes. The overpayment errors have been extrapolated across the relevant cell totals and reported to DWP.
Misclassification of overpayments	The level of subsidy for overpayment is determined by its classification. The misclassifications found resulted in both understatements and overstatements of subsidy claimed. The errors have been extrapolated across the relevant cell totals and reported to DWP.

These issues are similar to those reported in 2015/16. Quality control measures put in place comprise checking in a priority order as follows:

- Individual payments greater than £1,000 (pre and post payment checking)
- 100% check for all new members of staff for a minimum period of 1 week (no maximum period – decision taken on individual basis)
- 4% check of other work processed at random undertaken but subject to resource and availability

The Systems and Controls team also undertake additional random checks on overpayment allocation to supplement the work of the checking team and in response to overpayment allocation issues identified through the audit process, including:

- check of all overpayments identified with specific reason codes to ensure correct technical classification, with corrections applied weekly;
- random monthly sample across all overpayment categories to identify incorrect allocation with corrections applied quarterly; and
- quarterly check of rent officer referral cases to ensure current referral has been requested.

The checks are documented by the Systems and Controls team.

Given the Council has not yet seen a sustained improvement in accuracy levels, it should continue with its targeted quality control processes.

2. Other assurance work

During 2016-17 we also acted as reporting accountants in relation to the following schemes:

- ▶ Teachers pensions
- ▶ Pooling of housing capital receipts

We will provide separate reports to the Council in relation to these returns. This work has been undertaken outside the PSAA regime. The fees for this are included in the figures in Section 3. They are referred to here to ensure to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

3. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	24,908	24,908	26,910
Other claims or return: Teachers Pensions Return ¹	TBC	10,000	10,000
Pooling of housing capital receipts return ²	TBC	TBC	4,000

¹ The fee for the Teachers Pensions Return is being finalised.

² We are in the process of completing the engagement procedures regarding this return

4. Looking forward

2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £24,908. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Chief Finance Officer before seeking any such variation.

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

5. Summary of recommendations

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

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
<p>Housing benefits subsidy claim:</p> <p>Given the Council has not yet seen a sustained improvement in accuracy levels, it should continue with its targeted quality control processes</p>	Medium	<p>Every effort is made to minimise errors entering the system through robust and sustained checking, as per the details provided in this report, and that the further increase in digitisation and automation should significantly impact on re-keying errors. Where issues are identified, either through the annual audit or through checking, targeted checking will be undertaken (whether at a 100% level or on a randomised basis) to reduce recurrence of error.</p>	April 2018	Gary Muskett, Head of Revenues and Benefits

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Central Bedfordshire Council

Audit Committee

8 January 2018

Annual Audit Letter for the Year Ended 31 March 2017

Report of Ernst & Young LLP

Neil Harris, Executive Director

Purpose of this report

To consider the Annual Audit Letter from Ernst & Young LLP which sets out the key issues arising from the external auditor's work and which the external auditor feels should be brought to the attention of the Council.

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Central Bedfordshire Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP



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Public Sector Audit Appointments Ltd (PSAA) have issued a “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.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 (updated 23 February 2017)” 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 Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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.

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a laptop, and a white mug. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Central Bedfordshire Council following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
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Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report
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As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 27 September 2017
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We issued the audit certificate at the same time as the audit opinion on 27 September 2017

In January 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Neil Harris

Executive Director
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our Audit Results Report on 27 September 2017 to the Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2017 audit work has been undertaken in accordance with the Audit Plan presented on 9 January 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2016/17 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

A blurred office background featuring a laptop, several glasses of water, and financial documents. A yellow rectangular box is overlaid on the left side of the image, containing the text 'Financial Statement Audit'.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 27 September 2017.

Our detailed findings were reported to the Audit Committee on 27 September 2017.

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July. This provides challenges for both the preparers and the auditors of the financial statements. To prepare for this change the council has taken some steps in 2016/17, including starting to critically amend the closedown process to achieve earlier draft accounts production.

We have agreed with the Council to engage early, following completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and</p>	<p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p>

obtaining an understanding of the business rationale for any significant unusual transactions.

We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business

Revenue and expenditure recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

Our testing focussed on the Council's main income/expenditure streams. We also carried out cut-off testing where we examined a sample of receipts and payments after year end to ensure that where the transactions related to 2016/17 that they were properly recorded in the accounts.

Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition.

We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.

We identified key accounting estimates most susceptible to management bias. This included estimates related to valuation and depreciation of property, plant and equipment, pension liabilities and the business rates appeals provision. We evaluated the judgments and decisions made by management in making the accounting estimate, including, where relevant, their reliance on specialists. We concluded that the bases of the estimates examined were reasonable.

Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £11.7 million (2016: £11.2 million), which is 2% of gross revenue expenditure reported in the accounts of £585 million adjusted for other operating and investment expenditure.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.558 million.</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits, where we reviewed a sample of payments, irrespective of value;
- Related party transactions, where we reviewed the Council's processes for identifying and disclosing such transactions; and
- Members' allowances, where we carried out a reasonableness assessment of the amount disclosed

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. There were no such misstatements.

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with some showing their edges and others showing their faces. The lighting is warm, highlighting the metallic texture and the ridges on the edges. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Value for Money".

Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We have performed the procedures outlined in our audit plan to ensure the Council took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We identified one significant risks in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

Significant Risk	Conclusion
<p>Sustainability and Transformation Plans (STPs) give local NHS organisations and councils the opportunity to work together to improve the way health and social care is designed and delivered. The Bedford, Luton and Milton Keynes (BLMK) footprint encompasses 16 partners; and covers almost 1 million people with hugely diverse populations across areas.</p> <p>The partners have focussed on refining BLMK’s 5 STP priorities, including planning and resourcing how changes will be implemented.</p> <p>The Plan recognises that there will be system-wide demand and financial pressures over the next five years, resulting in a consolidated BLMK deficit in 2020/21 of £311m. It also notes that:</p> <ul style="list-style-type: none"> • BLMK’s recurrent annual NHS deficit rises to £203m per annum by 2020/21. • A further recurrent deficit, estimated at £108m per annum, would need to be added as a result of unavoidable cost pressures surfacing in Council health and social care budgets which are not recovered. 	<p>We are satisfied that the Council had sound arrangements in place for working with its STP partners to develop governance arrangements and that it has engaged fully with the STP process. The Council, with the STP is now finalising the governance arrangements that will allow it to move to a delivery model and demonstrate how the STP can contribute to the financial sustainability of the Council.</p> <p>A key challenge for STPs is the need to foster good working relationships between partners and evidence from the Council is that improving relationships have allowed opportunities for chief executives, finance and governance leads to more effectively share good practices. The Chief Executive Group has been pivotal in allowing the STP partners to engage with each other and to promote this engagement throughout their organisations, and this is now permeating down to the Director of Finance group and to Chairs/Political leaders. The STP has also agreed a dedicated resource for clinical engagement.</p> <p>Increasing this collaboration with all stakeholders will facilitate management of the whole system. Difficult discussions and decisions will be required in the future; and the Council is working with its partners to develop robust governance arrangements to support this.</p> <p>The Council and its BLMK partners, as with other STPs, have further challenges to overcome in terms of the conflict between organisational and STP accountability; how to address the financial challenges presented and reach system wide solutions to these; how they can ensure performance against individual and system wide targets can be accurately reported, with robust data; and ensuring the governance structures agreed facilitate robust and efficient decision making.</p>



Other Reporting
Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2017 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 27 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

We have not identified any significant deficiencies in the design of an internal control that might result in a material misstatement in your financial statements and which is unknown to you. As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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ey.com

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Central Bedfordshire Council

Audit Committee

8 January 2018

Audit Planning Report

Report of Ernst & Young LLP

Neil Harris, Executive Director

Purpose of this report

To consider a report from Ernst & Young LLP which provides the Audit Committee with a basis to review the company's proposed audit approach and scope for the 2017/18 audit and ensure that the audit is aligned with the Committee's service expectations.

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A photograph of a meeting table with several papers and hands pointing at documents. The background is a bright, clean office environment. A yellow banner is overlaid on the left side of the image.

Central Bedfordshire Council

Audit planning report

Year ended 31 March 2018

December 2017



Building a better
working world



Private and Confidential
Central Bedfordshire Council
Priory House, Monks Walk,k
Chicksands, Shefford,
BedfordshireG17

December 2017

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit 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. It is also to ensure that our audit is aligned with the Committee's service expectations.

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

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 8 January 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris

For and on behalf of Ernst & Young LLP

Enc

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.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 (updated February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Central Bedfordshire Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Central Bedfordshire Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Central Bedfordshire Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2017/18 audit strategy



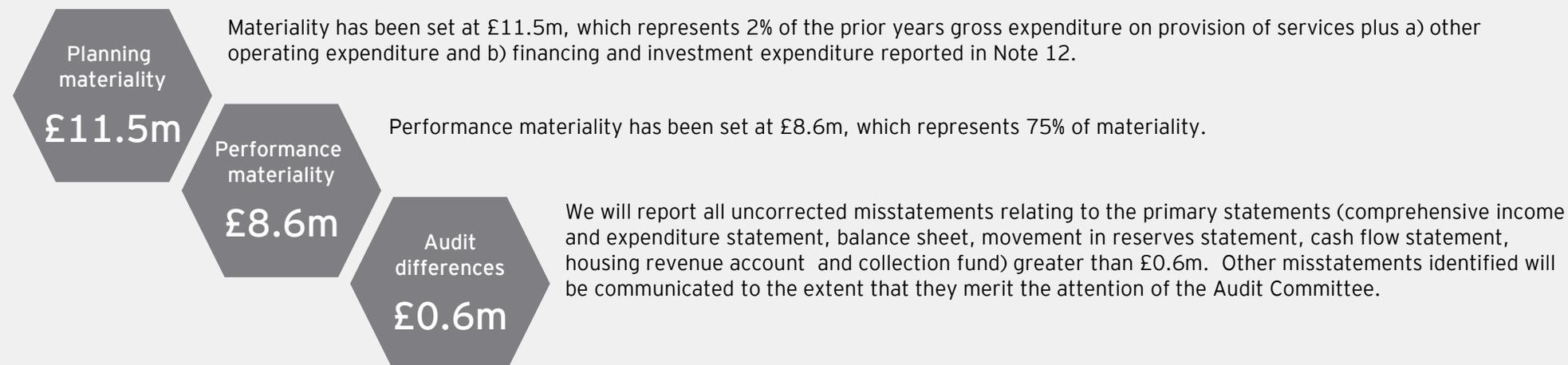
Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

Materiality



Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Central Bedfordshire Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

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

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



02 Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Risk of fraud in revenue and expenditure recognition</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>We are taking a substantive approach.</p> <p>The risks we have identified are most focused around those items of income and expenditure which are non-routine and involve more management estimation and judgment such as year-end income and expenditure accruals and provisions.</p> <p>Our approach will therefore focus on:</p>
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the 2016/17 financial statements:</p> <p>Income Account: £588m</p> <p>Expenditure Account: £599m</p>	<p>We have considered the income and expenditure streams of the Council and assessed their susceptibility to the risk of manipulation.</p> <p>We have assessed that the risk lies in the balance sheet where higher levels of estimation and management intervention are required to compile the financial statements. Manipulation of the balance sheet values would impact on the income and expenditure position.</p>	<ul style="list-style-type: none"> • Assessing journal entries for evidence of management bias and evaluate for business rationale. We will use our data analytics tool to assist us in identifying the most appropriate journals to test. • Assessing accounting estimates for evidence of management bias. • Developing a testing strategy to test material revenue and expenditure streams; and • Reviewing and testing revenue cut-off at the period end date <p>In addition, to address the residual risk of management override we perform specific procedures which include:</p> <ul style="list-style-type: none"> • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Assessing accounting estimates for evidence of management bias, and • Evaluating the business rationale for significant unusual transactions.

Our response to significant risks (continued)

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

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

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Central Bedfordshire Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £416.5 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will:

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements,

We will:

- ▶ Liaise with the auditors of Bedfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Central Bedfordshire Council;
- ▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Audit risks

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Earlier deadline for production and audit of the financial statements from 2017/18</p> <p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p> <p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none">• continue discussions on the Council's proposals to bring forward the closedown timetable; and• engage early with the Council to facilitate early substantive testing for 2017/18 and to explore further areas of audit work that can be brought forward to our interim visit.



03

Value for Money Risks





Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

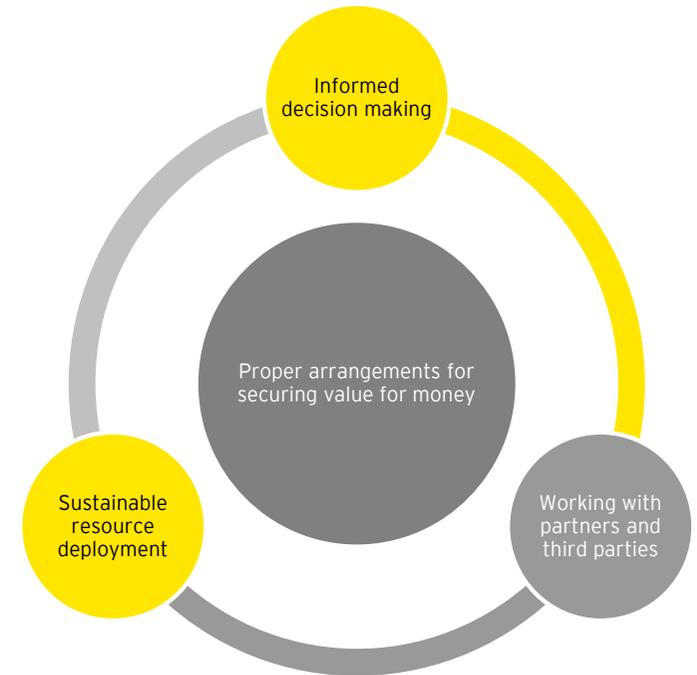
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of no significant risks at this time. We will keep the financial position of the Council under review to consider the Local Government finance settlement and the impact that has on the Council's medium term financial plan.





04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £11.5m. This represents 75% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We use gross expenditure as user and stakeholder focus is on the management and control of expenditure and continued service delivery. We have provided supplemental information about audit materiality in Appendix D.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £8.6m which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account, and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

Specific materiality - We will set a lower materiality which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this. These include remuneration disclosures, related party transactions, members' allowances and exit packages.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

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

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

Procedures required by standards

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

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

We will meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06

Audit team



Audit team

Audit team structure:



Neil Harris
Associate Partner



Carol Ryan
Senior Manager



Heather Rothwell-Trickett
Senior

Audit team

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists may provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 **Audit timeline**





Audit timeline

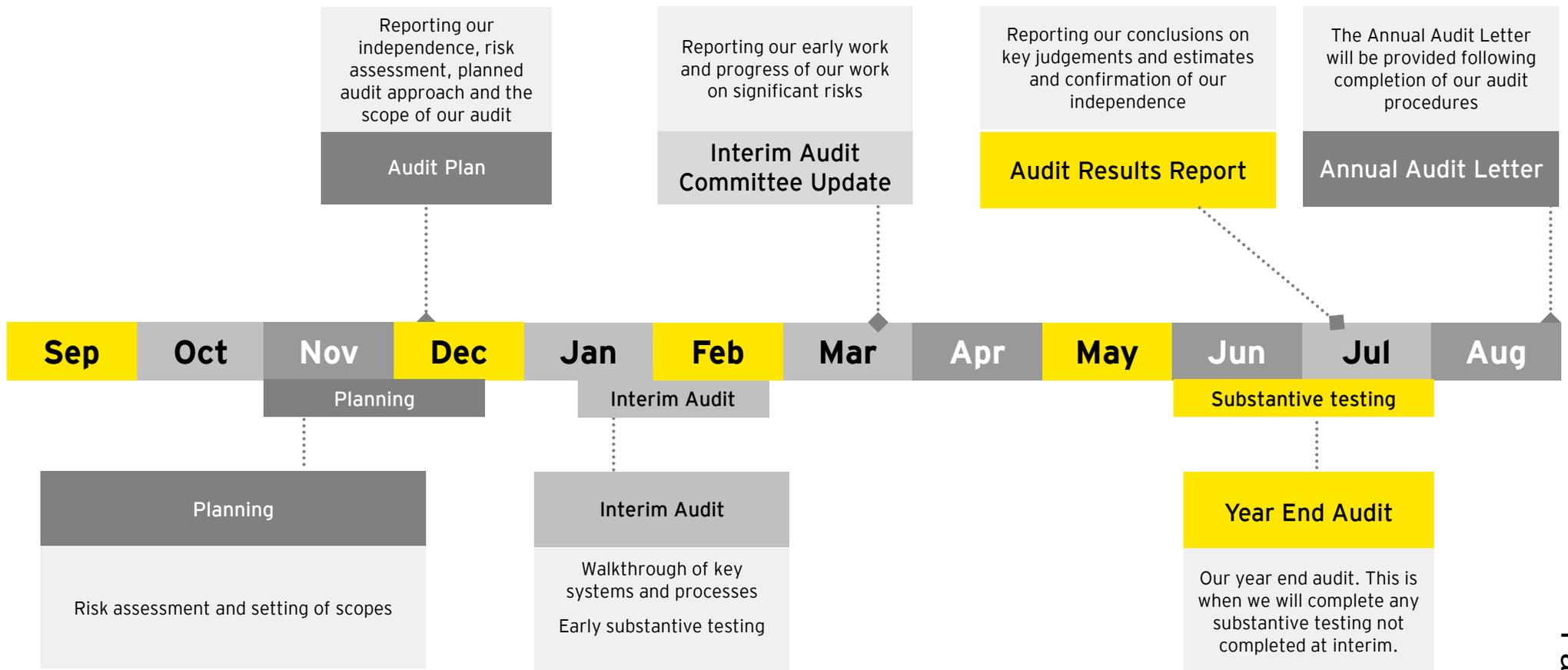
[OPTION 1]

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

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

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

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

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

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

Self interest threats

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

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 20%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 7%. No additional safeguards are required.

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

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

Self review threats

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

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

Relationships, services and related threats and safeguards

Management threats

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

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

Other threats

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

There are no other threats at the date of this report

Other communications

EY Transparency Report 2017

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-20167>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	139,466	139,466	139,466
Total audit	139,466	139,466	139,466
Other non-audit services not covered above Housing Benefits	26,910	26,910	24,908
Teachers Pensions Return ¹	n/a	n/a	10,000
Pooling of housing capital receipts return ²	n/a	n/a	4,000
Total other non-audit services	26,910	26,910	38,908
Total fees	166,376	166,376	178,374

All fees exclude VAT

1. The Teachers Pensions return does not form part of the PSAA contract. We are finalising or work related to this return.

2. The Pooling of Housing Capital Receipts return does not form part of the PSAA contract. We are finalising the engagement terms for this return. terms for this return.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

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

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

Appendix B

Regulatory update

In previous reports to the Audit Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production and audit of the financial statements from 2017/18	
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.
Impact on Central Bedfordshire Council	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>We held a faster close workshop for clients on in November 2017 to facilitate early discussion and sharing of ideas and good practice.</p> <p>We are now working with the Council on ideas coming from the workshop, for example:</p> <ul style="list-style-type: none"> • Streamlining the Statement of Accounts removing all non-material disclosure notes; • Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; • Providing training to departmental finance staff regarding the requirements and implications of earlier closedown; • Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; • Establishing and agreeing working materiality amounts with the auditors.

Appendix C

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report	
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report	

Appendix C

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report

Appendix C

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report and Audit Results Report	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report	
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report	

Appendix C

Required communications with the Audit Committee (continued)

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning Report and Audit Results Report
Certification work	Summary of certification work undertaken	Certification report

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.



Appendix D

Additional audit information (continued)

Purpose and evaluation of materiality

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

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

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

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Central Bedfordshire Council

AUDIT COMMITTEE

8 JANUARY 2018

UPDATE ON PREPARATIONS FOR THE GENERAL DATA PROTECTION
REGULATION (GDPR)

Advising Officer: Stephan Conaway, Chief Information Officer
(Stephan.conaway@centralbedfordshire.gov.uk)

Contact Officers: Sean Dykes, Information Security Manager
(sean.dykes@centralbedfordshire.gov.uk)

Maria Damigos, Corporate Lawyer, LGSS Law Ltd

Purpose of this report

1. The report seeks to provide an update on preparations for the General Data Protection Regulation (GDPR) and the Council's plans for compliance.

RECOMMENDATIONS

The Committee is asked to:

- i. Note the progress regarding preparations for the GDPR.

Overview and Scrutiny Comments/Recommendations

2. This report is to update the committee on preparations for the GDPR following the last Audit Committee on 27 September 2017. No decision is necessary and the report has not been considered by the Overview & Scrutiny Committees.

Introduction

3. At the Audit Committee meeting of 27 September 2017, Members were briefed on the GDPR and the Council's preparations. This brief is to update on those preparations.

Background

4. How personal data is dealt with in the UK is currently governed by the Data Protection Act 1998 (DPA) which was enacted to bring the

European Union (EU) Data Protection Directive 1995 into UK law.

5. The GDPR is an EU Regulation by which the European Parliament, the Council of the European Union and the European Commission intended to give control back to citizens and residents over their personal data and to simplify the regulatory environment for international business by unifying the regulations within the EU.
6. The regulation was adopted on 27 April 2016. It becomes enforceable from 25 May 2018 after a two-year transition period. It does not require any enabling legislation to be passed by national governments and is thus directly binding and applicable whilst the UK is a member of the EU. The UK government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.
7. A Data Protection Bill is currently progressing through Parliament which will incorporate the requirements of the GDPR into UK legislation. It is likely that the GDPR requirements will be applicable after the UK leaves the EU.

Summary of Changes

8. The GDPR extends the rights and responsibilities contained in the DPA. Apart from private use, it will apply to all individuals and organisations storing or using personal data and will include a 'data processor' (someone who acts on a data controller's behalf).
9. Under the DPA the data controller was responsible for the data. Data processors will now have specific obligations in relation to record keeping and processing and will have more legal liability in the event of a breach.
10. The key areas of change are:

- a. Lawful processing

For processing to be lawful under both the DPA and the GDPR, a lawful basis must be identified. The requirements for lawful processing under GDPR will change slightly.

- b. Consent and Privacy Notices

The definition of consent under the GDPR is more strictly defined than under the DPA. Simple procedures for withdrawing consent must be in place.

The Council as a public authority and an employer will need to take particular care to ensure that consent is freely given (or rely on another basis for processing).

Where consent is not given or required individuals must be provided with a notice detailing what information is held and why, what will be done with the information and the persons rights in respect of that data.

c. Children's personal data

The GDPR contains new provisions intended to enhance the protection of children's personal data.

d. Individual's Rights

The GDPR both strengthens existing rights under the DPA and creates new rights for individuals.

e. Accountability and Governance

The GDPR includes specific provisions that promote accountability and governance which complement the GDPR's transparency requirements.

f. Breach Notification

The GDPR will introduce a duty to report all incidents where there has been a significant breach to the ICO within 72 hours. The Council already has a successful reporting system in place which will only need minor updates to comply with the timescale for reporting.

g. Transfers of personal data to third countries or international organisations

The GDPR imposes restrictions on the transfer of personal data outside the European Union, to third countries or international organisations, in order to ensure that the level of protection of individuals afforded by the GDPR is not undermined.

11. The GDPR also significantly increases the maximum fine for a data protection breach which can be imposed from £500,000 to either 10 million euros or 20 million euros (or 2% or 4% of global turnover in the preceding financial year respectively) depending on the type of breach.

Current Position

12. A GDPR Working Group has been set up to monitor and implement the requirements of the GDPR within the Council. The group is made up of the Information Security Manager, LGSS Corporate Lawyer, Head of Internal Audit, Deputy Chief Information Officer, Records and Risk Officer and Information Request Officer. Updates are provided to the

Monitoring Officer, SIRO/Chief Information Officer, CMT and the Information Assurance Group (IAG) as necessary.

13. The IAG includes senior officers from Human Resources, Internal Audit, IT, Children's Services, Adult Services and the Caldicott Guardian and can provide further support, initial approval and sense checking of proposed draft documents and procedures.
14. Appendix A sets out the ICO Recommended Actions and updates the Council's status as regards those actions as at 13 December 17.
15. The template for consent and privacy notices has been completed and we are about to begin the build of an electronic version of this form prior to testing. Once rolled out, it is proposed that drop in sessions will be available for queries.
16. The Council's data protection training is to be reviewed and revised early 2018 and this will also take account of the new requirements of the GDPR. This will commence in January 2018.
17. At the last Audit Committee various comments were made regarding compliance, planning and training and these have been fed into the work plan and will be incorporated into preparations.
- 18. Council Priorities**
19. Compliance with legal obligations ensures that Council delivers its priorities and contributes to the achievement of all the Council's priorities.

Corporate Implications

Risk Management

20. Failure to implement the requirements of the GDPR would be a breach of the law. This is already identified as a significant governance issue within the draft Annual Governance Statement for 2016/17. It is however anticipated that all requirements will be met or implemented.

Staffing (including Trades Unions)

21. There are none.

Legal Implications

22. The GDPR will become law in the UK on 25 May 2018. The Council will need to comply with the GDPR and any other applicable legislation.

Financial Implications

23. Although this report has no financial implications, resources will be required for implementation of, and compliance with, the GDPR which will either be met from existing budgets or will be the subject of further reports to the appropriate committee or Executive.

Equalities Implications

24. None arising directly from this report.

Conclusion and next Steps

25. Development of a detailed Action Plan with ongoing awareness raising for all staff. Drop in sessions to assist departments with specific queries are also to be arranged and delivered.

Appendices

The following Appendices are attached:

Appendix A – ICO Recommended Actions – Current Position Dec 17

Further information can be obtained from:

<https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/>

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Action as recommended by ICO
Action Ongoing
Your business has implemented appropriate technical and organisational measures to show you have considered and integrated data protection into your processing activities
Your business understands when you must conduct a DPIA and has processes in place to action this.
Your business has a DPIA framework which links to your existing risk management and project management processes.
Your business has designated responsibility for data protection compliance to a suitable individual within the organisation.
Your business has appointed a Data Protection Officer (DPO) if you are: (LIST) a public authority or you carry out large scale monitoring of individuals or you carry out large scale processing of special categories of data or data relating to criminal convictions and offences.
Your business supports the data protection lead through provision of appropriate training and reporting mechanisms to senior management.
Your business has reviewed the various types of processing you carry out. You have identified your lawful basis for your processing activities and documented this.

Your business has explained your lawful basis for processing personal data in your privacy notice(s).

Your business has documented what personal data you hold, where that data came from and who it is shared with.

Your business has planned to conduct an information audit across the organisation to map data flows.

Your business has reviewed how you seek, record and manage consent.

Your business has reviewed the systems currently used to record consent and implemented appropriate mechanisms in order to ensure an effective audit trail.

Decision makers and key people in your business are aware that the law is changing to the GDPR and appreciate the impact this is likely to have.

Your business has identified areas that could cause compliance problems under the GDPR and has recorded these on the organisation's risk register.

Your business is raising awareness across the organisation of the changes that are coming.

Your business has set out the management support and direction for data protection compliance in a framework of policies and procedures.

Your business monitors compliance with data protection policies and regularly reviews the effectiveness of data handling and processing activities and security controls.

Your business has developed and implemented a needs-based data protection training programme for all staff.

Your business has documented what personal data you hold, where that data came from and who it is shared with.

Your business has planned to conduct an information audit across the organisation to map data flows.

Your business has checked your procedures to ensure that you can deliver the rights of individuals under the GDPR.

Your business has reviewed your procedures and has plans in place for how you will handle requests from individuals for access to their personal data within the new timescales outlined in the GDPR.

Your business has reviewed your procedures and has plans in place for how you will provide any additional information to requestors as required under the GDPR.

Your business has implemented appropriate procedures to ensure personal data breaches are detected, reported and investigated effectively.

Your business has mechanisms in place to assess and then report relevant breaches to the ICO where the individual is likely to suffer some form of damage, e.g. through identity theft or confidentiality breach.

Your business has mechanisms in place to notify affected individuals where the breach is likely to result in a high risk to their rights and freedoms.

If your business offers services directly to children, you communicate privacy information in a clear, plain way that a child will understand.

If your business offers 'information society services' directly to children, your business has systems in place to verify individuals' ages and to obtain parental or guardian consent where required.

If your business operates in more than one EU member state, you have determined your business's lead supervisory authority and documented this.

Position as at 9/8/17
Technical measures to be incorporated have been discussed with Hytech, the Council's information security technical consultants. Notices have been published to all staff on the changes on how they may affect them. Policies & Procedures will be updated during early 2018.
This was instigated at CBC during 2016. A campaign to repromote this has been commenced with email reminders sent to Directors and AD's for cascading down to Managers and Staff
This was instigated at CBC during 2016. A campaign to repromote this has been commenced with email reminders sent to Directors and AD's for cascading down to Managers and Staff
Information Security Manager who feed issues into the Information Assurance Group. This is then reported to Corporate Management Team on a quarterly basis.
This is to be confirmed by the Chief Executive.
Data protection and information security training will be reviewed early in 2018 with L&D to consider changes that need to be made to it and consider more specialised training for those areas where sensitive personal data is handled more extensively.
We have a lawful basis for processing, although we will study the new data protection bill for any new requirements.

SD and MD LGSS will be working on a new draft privacy notice during August
This will be considered by SD and CAG. Will take advice from Internal Audit on how best to do it
Will speak to Internal Audit on this
MD LGSS and SD will be working on new consent notices for all departments shortly
SD to speak to Hytec (Information Security technical experts) regarding this.
Yes. CMT and Members have been made aware of the changes and the likely effect.
We are working with Internal Audit on this
Regular updates have been published in local media (Staff Central, Managers Emails) since the beginning of 2017. More detailed information on the changes coming is now being directed at Directors and AD's.
We already have this in place. All policies and procedures will be reviewed early in 2018 to assess the need for change to reflect the new regulation.

Policies are reviewed every two years currently. All our information governance policies will be reviewed early in 2018 and amended to reflect the new regulations. These will only be published generally once GDPR is law. Our training package is being reviewed in conjunction with L&D beginning in Jan 2018.

See above. This will be developed with L&D colleagues from Jan 2018.

All our information sharing arrangements are documented and must be approved by an authorisation group consisting of Caldecott Guardian, LGSS Corporate Lawyer, Information Security Manager and Records & Risk Officer. We will need to check how personal data holdings are recorded.

We will need to consult Internal Audit on this.

This action is ongoing

We will be working on this from Jan 2018. The system we have will be easy to change and we will ensure that all users are aware of the changes in plenty of time prior to implementation.

Our system is already very robust and will require minimal alteration.

These have been in place for two years.

The Information Security Manager is notified of all breaches and will make an assessment on each incident on what action needs to be taken.

See above. Information Security Manager, sometimes in consultation with LGSS, will assess if this action needs to be completed.

MD LGSS and SD will be looking at this shortly

Information Society services are “any service normally provided for remuneration, at a distance, by electronic means and at the individual request of the recipient for services”. Need to find out if CBC provide such services

Not applicable

Position Sep 17 (Working Group 12 Sep)
I will be contacting Hytech to further discuss this. I will need to invite them here to discuss the issue with senior IT managers who will be involved in implementing any changes to systems that may be required. I will be briefing the IT Management Team on 21 Sep.
I consider that this be the next big promotional push. It's in place but it is not being done. Perhaps one for discussion at IAG first?
Cat and I will discuss this at our meeting on 21 Sep and work out how we can make this work.
That's me at the moment with lots of support from you wonderful people. Need Chf Exec to clarify our position. Another one to bring up at IAG.
See above
We have these in place with GDPR refinements will take place early in 2018.
Position unchanged

Work continues on revised privacy notices and consent forms (IAG 10/10)
CAG and SD will be meeting Internal Audit shortly. May be useful to include Information manager (Aidan McDonald) in discussions.
Meeting scheduled with Internal Audit for 21 Sep
Work continues on revised privacy notices and consent forms
See Ser No 5
We intend to increase the amount of publicity that we are giving the GDPR. Higher management are aware of the changes and have been informed of them for some time. Hard to judge what level of engagement they have.
MD LGSS will be looking at identifying these and will take appropriate action to add to the risk register.
Regular updates and reminders continue. The GDPR WG will have a piece in SC shortly and need to push PIAs
See Column B

In addition to actions at Column B, this is something we should engage with IAOs on. Following on from Audit Committee it has been suggested we upgrade the policies we already have (Comment 27/9)

Any training amendments will need to be reflected in all revised policies (Comment 27/9)

CAG and SD will be contacting IAOs using script provided by Internal Audit to provide information on current holdings (Comment 27/9)

See Ser 38. We will consider all returns following Ser No 38 actions and make a decision on which areas will require a full audit (Comment 27/9)

Work continues on Privacy Notices and Consent Forms. During Jan 2018 we will start to promote SAR compliance changes

See Ser No 42

See Column B and Ser No 42

See Column B

See Column B. SD to promote the need to report breaches via the current system within 72 hours from Spring 2018.

See Column B

Work is currently progressing on this

MD LGSS to investigate?

Not applicable

Position Oct 17 (Working Group 24 Oct)
Briefing took place in September. Our first step as far as GDPR compliance is concerned is becoming cyber essentials scheme qualified. Bernard Sykes will be working on this through December and January.
This will be the first element of DPIA to be publicised. The system we have in place is robust and, according to ICO guidelines, sufficient but it is not being utilised. It is intended to make PIAs mandatory from 1 Jan 18.
See above
This issue has been flagged to senior management via Monitoring Officer and DCIO.
See above
A risk assessment will be undertaken during December to assess those areas that will require more in-depth training aligned to the work they are doing.
Position unchanged

This work is ongoing. A draft should be ready for IAG on 12 Dec 17.

We are preparing an email for signature by CE nominated all Heads of Service as IAOs due to poor compliance levels currently. Training will be offered that will include a GDPR element. By doing this we should have a clear view of what information assets we hold and what actions we need to take.

Audit assisted with the wording of what we will require from IAOs. This will be included in the proforma forwarded to IAOs when completing a local information asset audit.

This work is ongoing. A draft should be ready for IAG on 12 Dec 17.

See Ser No 5

A meeting is scheduled for 30 Nov with Corporate Comms to work out an effective awareness campaign.

Head of Audit has been made aware of issues that may need to be added to the Corporate Risk Register.

A meeting is scheduled for 30 Nov with Corporate Comms to work out an effective awareness campaign.

See Column B

Policy reviews will take place during Jan 2018 alongside a new IAO campaign
A risk assessment of training needs will be undertaken with L&D colleagues during Dec 2017.
We are preparing an email for signature by CE nominated all Heads of Service as IAOs due to poor compliance levels currently. Training will be offered that will include a GDPR element. By doing this we should have a clear view of what information assets we hold and what actions we need to take.
This will be completed by newly appointed IAOs.
See Column C
See Ser No 42
See Column B and Ser No 42
See Column B

See Column C
See Column B
Work is currently progressing on this
Awaiting LGSS investigation result
Not applicable

Position Nov 17
Cyber Essentials scheme preparation is due to commence during Dec 17. Actions will be identified and the process for compliance will begin during early 2018.
According to the ICO, the current process for DPIA will be suitable until new guidance is prepared early in 2018. This will be notified via Council communications during early 2018 on what staff are required to do.
See above
Position unchanged from October.
Position unchanged from October
Risk assessment has taken place. We have a GDPR training framework in place which we will build into a training course at different levels dependent on the role that a staff member holds. Those that work more closely with sensitive data will be required to complete a more detailed assessment .
Position unchanged

The draft is almost complete. Testing now needs to take place and then an e-form designed and built by IT.

Information Security Manager is meeting with the Chief Executive on 19 Dec to gain approval for the email that will nominate all Heads of Service as IAOs. Training on the role and how it relates to GDPR will be offered. The IAOs will then be required to do an audit of their information assets.

See above

The draft is almost complete. Testing now needs to take place and then an e-form designed and built by IT.

See Ser No 5

A full communications campaign has been agreed with Corporate Communications and will commence with an overview of the GDPR followed more detailed guidance leading up to May 2018.

Hd of Audit has been requested to flag GDPR up on the risk register to raise the profile and encourage engagement.

A full communications campaign has been agreed with Corporate Communications and will commence with an overview of the GDPR followed more detailed guidance leading up to May 2018.

A full review of all data protection, records management and information security policies will take place early in 2018.

Position unchanged
Work will be on this during Jan 2018.
Information Security Manager is meeting with the Chief Executive on 19 Dec to gain approval for the email that will nominate all Heads of Service as IAOs. Training on the role and how it relates to GDPR will be offered. The IAOs will then be required to do an audit of their information assets.
Position unchanged
See Column C
See Ser No 42
See Column B and Ser No 42
See Column B

See Column B
See Column B
Work is currently progressing on this
Awaiting LGSS investigation result
Not applicable

Date Completed

Central Bedfordshire Council

AUDIT COMMITTEE

Monday, 8 January 2018

Statement of Accounts 2017/18

Report of Director of Resources, Charles Warboys
(Charles.Warboys@centralbedfordshire.gov.uk)

Advising Officer: Financial Controller, Stephanie Pocock
(stephanie.pocock@centralbedfordshire.gov.uk)

Purpose of this report

1. The report outlines key changes required to the Council's statutory Statement of Accounts for 2017/18.

RECOMMENDATIONS

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 not scheduled to be considered by any Overview and Scrutiny Committee as the Audit Committee provides scrutiny of the Council's preparation of the annual Statement of Accounts.

Background

2. The Accounts and Audit Regulations 2015 require the responsible financial officer of the Local Authority (the Director of Resources) to prepare and sign a set of unaudited accounts by 31 May each year. Audited accounting statements are required to be re-certified by the responsible financial officer, signed by the Chair of the Audit Committee and published by 31 July each year.
3. In addition to meeting the requirements of the 2015 Regulations, the Council has in recent years arranged a Statement of Accounts presentation in June, open to all Members, to inform and enable scrutiny of the key figures from the Statements.
4. Under the same 2015 regulations, the accounts are required to present a 'true and fair' view of the financial position of the Council and comply

with 'proper accounting practices'. The Local Government Act 2003 specifies the CIPFA Code of Practice, issued annually, as representing proper accounting practices for this purpose.

5. CIPFA and the Local Authority (Scotland) Accounts and Advisory Committee (LASAAC) issue a Local Authority Accounting Panel (LAAP) bulletin at the end of the financial year to address any specific issues arising from the CIPFA Code of Practice. These bulletins have the same status as the CIPFA Code in forming the statutory basis of the Council's accounts. LAAP bulletins may also be issued during the year to provide general guidance on topical issues. CIPFA may also issue mid-year updates to the Code of Practice on an exceptional basis.

CIPFA Code of Practice 2017/18 Changes

6. In respect of English local authorities the Code for 2017/18 has relatively limited changes compared to 2016/17. The main changes are outlined below.

Presentation of the financial statements

7. The Accounts and Audit Regulations 2015 introduced a new requirement for English authorities to produce a Narrative Statement, providing an accessible guide to the most significant matters reported in the accounts. The statement must include comment by the Council on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The Narrative Statement should be fair, balanced and understandable for the users of the financial statements.
8. The 2017/18 Code identifies a principles based approach for the Narrative Statement with the aim of enabling management to tell the story of the authority by providing a holistic, clear and well structured view of its strategy, governance, performance and future outlook.
9. The requirement for a Narrative Statement (previously the Explanatory Foreword) arose in 2015/16 following an Update to the 2015/16 Code and this was included in both the Statement of Accounts 2015/16 and those for 2016/17. External Audit identified that there are opportunities for the Council to further enhance its Narrative Statement and these will also be considered in preparing the Statement of Accounts 2017/18.
10. The narrative report is not formally part of the Statement of Accounts and is not directly covered by the statutory requirements for an audit opinion or certification by the responsible finance officer. However it needs to be prepared so that it is consistent with the Statement of Accounts but is not formally bound by true and fair requirements.

Amendments arising from changes to regulations

11. As part of the Housing Revenue Account (HRA) self-financing settlement in 2012, substantial changes were made to the accounting treatment of capital assets. A five year transitional period was put in place to help local authorities manage the impact of these changes by allowing them to 'reverse out' impairment charges. *The Item 8 Credit and Item 8 Debit (General) Determination from April 2017* (the Item 8 Determination) contains provisions on how these items should now be treated and is effective from 1 April 2017.
 - Impairment and revaluation gains and losses on dwellings will continue to be reversed out of the HRA through the Capital Adjustment Account.
 - This principle is applied prospectively to non-dwelling assets
 - Depreciation on dwellings and non-dwellings assets will be charged to the HRA in accordance with proper practices.
12. While depreciation will still be effected through a transfer to the Major Repairs Reserve it will no longer be capped at the value of the notional Major Repairs Allowance. This will not impact the Council as we have previously calculated depreciation on the appropriate accounting basis and not used a notional value in the accounts.

Amendments arising from changes to accounting standards

13. There are no changes to accounting standards that impact on the Statement of Accounts 2017/18.

Other key issues

Earlier closedown

14. The Accounts and Audit Regulations 2015 require local authorities to approve and publish the accounts by 31 May and 31 July respectively effective from the accounts for the year 2017/18. Preparation for these earlier closedown requirements began in earnest last year with the Statement of Accounts 2016/17 being a full trial run to ensure the Council is equipped to meet this requirement. This was largely successful; a full draft Statement of Accounts was ready on 8 June. Minor changes are currently being made to the 2017/18 closedown procedures in order to prepare the statements ahead of the 31 May deadline.
15. From 2017/18 we have agreed with the Council's professional valuer Wilks Head & Eve, a change to the valuation date of the Council's housing stock from 1 April to 31 December each year. Consequently

the year end impairment review will cover a period of three months, rather than the whole year, reducing the impact of any change in market conditions during this time. It is considered that, as these are unlikely to be material in future, an impairment allowance will not be required to be adjusted for at the year end and this should help with the earlier deadline. This was the only material adjustment required to the 2016/17 Statement of Accounts as a result of the audit.

Statement of Accounts presentation

16. For the last five years there has been a presentation of the key figures in the accounting statements to this Committee with all other Council Members invited, the purpose being to enhance the scrutiny and discussion of the statements. The presentation for 2016/17 was made by the Director of Resources (s151 Officer) and other key members of his team and included a question and answer session.
17. Conducting a presentation instead of submitting the accounts as an Audit Committee report enabled significantly more time for Finance staff to concentrate on quality assurance work in June. Making the most of the time available for quality assurance activities helps to minimise the work of the Finance team and the external auditors in the audit period. This will be particularly important with the earlier timetable for the accounts. Positive feedback was received following the latest presentation, which engaged Members and enabled a focus on the key points within the accounts. It is therefore proposed to present the 2017/18 statements in a similar manner at the Audit Committee meeting in May 2018 with an open invitation to all Council Members to attend.

Rights of Access to the Statement of Accounts

18. The Accounts and Audit Regulations 2015 extended the period for exercise of Public Rights (which include rights of objection, inspection of the local authority accounting documentation and questioning of the external auditor) to 30 working days. During this period the Council must make all relevant documents available for public inspection.
19. The Regulations also require that the period for the exercise of public rights includes the first 10 working days of June of the financial year immediately following the end of the financial year being reported.

Council Priorities

20. Informing Members of forthcoming changes relating to the Statement of Accounts and inviting all Members to consider and comment on the Statement contributes towards the Committee's scrutiny function and meeting the Council's priority of a more efficient and responsive Council.

Corporate Implications

Legal Implications

21. The production of an annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015. The accounts are to be prepared in line with 'proper accounting practice' and the Local Government Act 2003 section 21(2) specifies the CIPFA Code of Practice as representing proper accounting practice for this purpose.
22. The accounts are based on International Financial Reporting Standards (IFRS) as defined by the CIPFA Code of Practice and the authority must incorporate any changes to the CIPFA Code in preparing the financial statements.

Financial and Risk Implications

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

Equalities Implications

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

Conclusion and next Steps

25. It is requested that the Committee notes the key changes required to the 2017/18 Statement of Accounts and the intention to make a presentation of the accounts as certified by the Director of Resources (s151 Officer) to the Committee and other Members in May. The changes for 2017/18 will be highlighted in the Statement of Accounts presentation.

Appendices

None

Background Papers

None

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Central Bedfordshire Council

AUDIT COMMITTEE

Monday, 8 January 2018

Local Government Pension Scheme Update

Advising Officers: Director of Resources, Charles Warboys.
(charles.warboys@centralbedfordshire.gov.uk) and Denis Galvin, Assistant
Director of Finance (denis.galvin@centralbedfordshire.gov.uk) Tel: 0300 300
6083

Purpose of this report

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

RECOMMENDATIONS

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

2. The Local Government Pension Scheme (LGPS) in England and Wales is a funded public sector pension scheme with approximately 5.3 million members. The scheme, which currently invests some £217 Billion in assets, is the largest defined benefit scheme in the UK and one of the largest in the world.
3. 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 ninety one funds across England and Wales.

4. 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.
5. 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.
6. At 31 March 2017 there were 149 active and 10 inactive scheme employers participating in the Bedfordshire LGPS. The actual Bedfordshire scheme membership numbers at March 2013 and 2017 are shown in Table 1 below. 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.
7. The reduction in the numbers of CBC employees since 2013 is due to schools converting to academy status and therefore no longer considered CBC employees. They still remain in the fund totals.

Table 1 LGPS Bedfordshire and CBC Membership at 31/3/13 and 31/3/17				
	Fund	Fund	CBC	CBC
	31 March 2013	31 March 2017	31 March 2013	31 March 2017
Active	17,442	21,140	3,948	4,763
Deferred	21,142	29,456	6,755	5,115
Pensioners	13,158	15,538	4,131	1,842
Total	51,742	66,134	14,834	11,720

Regulatory and Governance Changes

Border to Coast

8. The creation of pooled investment vehicles for the England and Wales LGPS is progressing and eight pools have submitted business plans to the government. The various pools have been meeting with the Minister for State for Local Government and to date several pools have

been advised to progress further with the implementation of their business plans including the Border to Coast Pension Partnership (BCPP), of which the Bedfordshire Fund is a member. The pool has c£44.3bn of assets (estimate value at 30th June 2017).

9. Border to Coast has now appointed Rachel Elwell as its first Chief Executive. She is an actuary with twenty years experience in pensions. She joins from Royal London. Fiona Miller has been appointed as Chief Operating Officer. She will join in January 2018 from Cumbria County Council where she managed their pension scheme. Chris Hitchin has been appointed an non executive Chairman. He is due to start in March 2018 and is currently the Chief Executive of the Railway pension fund.
10. As at 30th September 2017 all shareholder documentation for BCPP has been completed, two Joint Committee meetings have been held in June and October 2017, and BCPP Limited has been incorporated as a limited company.
11. There will be a dedicated Infrastructure sub-fund available to partner funds once BCPP is fully operational. This will invest in a broad range of infrastructure investments with suitable sector and geographic diversification. The intention is that a part of this offering may be satisfied by the solution identified within the Infrastructure Cross Pool Sub-Group.
12. To ensure that BCPP is an active participant in any cross pool solution it chairs the Cross Pool Infrastructure sub-group and also has representation from senior investment professionals. The group continues to make steady progress towards the creation of an effective solution. The group continues to develop its thinking by learning from solutions currently being developed within the LGPS and through wider engagement with industry participants, to ensure that BCPP can access Infrastructure investments in the most effective manner.

Cap on Exit payments

13. The Enterprise Act 2016 will limit the value of exit payments an employee can receive from a public sector employer to £95,000. The exit payment cap will include actuarial strain costs which are those costs paid by the employer to the Pension Fund, and the Act contains amendments to the LGPS Regulations so that members benefits can be amended to help meet the exit payment cap.
14. A statutory instrument has been made which brought s41 of the Enterprise Act 2016 into force on 1st February 2017. Section 41 allows the Secretary of State to issue regulations capping public sector exit payments (including pay in lieu or notice, redundancy and ex gratia payments) to £95,000. Whilst this is only the power to bring in the regulations, it was anticipated that they may be brought into force in

March/ April 2017 although this seems to have been pushed back and is now expected early in 2018.

15. We are also waiting for provisions which provide for clawback of certain public sector exit payments when certain individuals return to work in the public sector within 12 months.

Markets in Financial Instruments Directive II (MIFID II)

16. The Markets in Financial Instruments Directive is the EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.
17. This directive comes into force on 3 January 2018. The Fund will need to opt up to Professional status to maintain its current investments and advice and a process has already started to meet the deadline. At the time of writing the Fund has been confirmed as opting up to professional status for 9 of the 11 External Fund Managers.

Actuarial Valuation and Employer Contributions

18. The actuarial review was covered in detail in the report to the Audit Committee in January 2017.

CBC Certified Employer Contribution Rates

19. The CBC employer contribution is stated below including the annual lump sum for deficit recovery.

Table 2 – CBC Certified Employer Contribution Rates			
Year	Future Current Service Rate % of pay	Lump Sum for deficit recovery £M	Total Rate %
2014/15	14.0	6.662	24.4
2015/16	14.0	7.212	24.9
2016/17	14.0	7.450	24.9
2017/18	16.9	5.903	24.2
2018/19	16.9	7.073	25.2
2020/21	16.9	8.296	26.5

20. The increase in the current cost of accrual (current service rate) from 14% of pay to 16.9% reflects the change in discount rate and the actual take up of the 50:50 membership option which has, in common with the LGPS as a whole, been much less than was originally assumed. The increase in contribution rates continues to be stabilised for the majority of public sector employers.
21. The outcome of the initial modelling exercise suggested that the contributions would need to increase by more than the 0.5% p.a. steps that had applied in previous years. Further modelling took place to assess the appropriateness of a funding strategy for the councils assuming larger increases of +1% of pay p.a. The certified rates for the Council have been based on the later modelling results which generated an appropriate likelihood of achieving a fully funded position over a 20 year period.
22. CBC must pay the lump sum deficit recovery to the pension fund annually. This sum assumes a contribution from maintained schools. As schools convert to Academies, they no longer contribute to the CBC total and so the share of the element that CBC pays increases accordingly.
23. On conversion, the Academy pays toward its own deficit, but the total amount chargeable to CBC is fixed until the next triennial valuation. Effectively CBC overpays until the reset which is adjusted at that point.
24. Eight schools have or are planning to convert in 2017/18 and so CBC faces a budget pressure of £299K in 2018/19 due to reduced schools contributions to CBC. This is reflected in the 2018/19 Medium Term Financial Plan.
25. There are two cost capping mechanisms in place for the LGPS which may lead to changes to the accrual rate or contribution rates from 2019. The caps only apply to future service costs and are independent of investment market conditions. Work on the two cost caps is already underway separately for the Scheme Advisory Board and HM Treasury.

Fund Management

Pension Fund Performance to 30 September 2017

26. The Fund value ended the quarter higher having experienced additional positive equity performance in sterling terms with some regional markets hitting all-time highs during the quarter. Property and Corporate bond asset classes returned a positive return with the fixed interest market seeing some yield increases which led to a fall in value.

27. The market value of the Fund and cash holdings as at 30 September 2017 was £2,120.1 million, an increase of £30.5 million from £2,089.6 million as at 30 June 2017 and an increase of £392.7 million since the 31 March 2016 (the date of the last triennial valuation) value of £1,727.4 million. The positive performance since the triennial valuation has primarily come from the equities asset class.
28. The Pension Fund net investment return (total value of net investments/divestments) for the quarter ending 30 September 2017 was 1.2% which is behind its benchmark return of 1.9%.
29. The performance for the preceding 12 months was 8.9% which is ahead the benchmark of 7.7%.
30. The performance over the preceding 3 year period was 8.7% per annum (pa) which is ahead of the benchmark return of 6.7% pa.
31. The performance over the preceding 5 year period was 8.7% pa which is ahead of the benchmark return of 7.4% pa.

Rebalancing the Investment Portfolio

32. The Fund invests in a range of asset classes to diversify the sources of return and risk factors that it is exposed to e.g. the property allocation and the diversified growth allocations (which themselves have considerable diversification built in). Within asset classes, the Fund's equity allocation has exposure to different regions, sectors, benchmarks and managers.
33. The fund regularly reviews its exposure and where necessary, rebalances the portfolio to achieve the optimum balance of risk and return.
34. During the 2016/17 financial year the value of the Fund increased by £341 million to £2,074 million. The Fund rebalanced its portfolio initially moving £150m from UK Equities and investing in All World Equities in mid June 2016. Furthermore, in March 2017, an additional £50m was then moved from Global Equities and invested in Absolute Return Multi Asset Funds.
35. A further rebalancing exercise was carried out in early July 2017 which resulted in £36m being disinvested from the equity portfolio and the proceeds invested across the Fund's three multi-asset absolute return managers, with £12m being invested in each mandate.

Asset allocation.

Table 3 Bedfordshire Fund Investment Asset classes and values at 30 September 2017			
Asset class	30 Sept-17	30 Sept-17	Bench mark
	£M	%	%
UK Equities	194.5	9.2	9
Overseas and Global Equities	889.1	41.1	41
Other	(16.6)		
Total Equities	1067.0	51.7	50
Government Bonds	64.6		
Index Linked Gilts	107.0		
Absolute return Bonds	174.0		
Total Bonds	345.6	16.3	18
Property – (Indirect))	192.1	9.1	10
Multi Asset Absolute Return	422.5	19.9	20
Private Equity	1.3	0.1	
Cash	91.6	4.3	2
Total Fund	2,120.1	100	100

Liabilities

36. The Fund monitors its valuation position with a regular report from the Actuary called Navigator. The latest Navigator report shows that the last 18 month period since the Valuation has seen a slight improvement in the funding level of the Pension Fund. The biggest change since the previous Navigator report has been a contribution from the change in yields of £25 million. The liabilities as at 30 September 2017 are estimated at £2,886 million (circa £2,446 million as at 31 March 2016). As such, as at 30 September 2017, the Funding Level is 73.5% (70.8% as at 31 March 2016). The improvement is principally due to the investment performance slightly exceeding the significant fall in real bond yields over the period i.e.; index linked gilts

yielded – 1.48% a reduction as at 30.6.17 from the –0.96% as at 31.3.16 and continues to highlight the current challenging times for funding Pension Funds.

Opportunistic Investments

37. The Fund's investment strategy includes allocations to active managers. In particular, the absolute return managers have flexibility to adapt their asset allocations as they see fit within the parameters of their respective mandates, with a view to generating positive absolute returns irrespective of prevailing market conditions.
38. The Committee also pay close attention to the valuations of asset classes and markets, taking advice from its investment consultant regarding opportunities within markets. Notable examples are the training sessions that the Panel have received on alternative credit assets, with a view to potentially evolving the Fund's bond allocation, and the decision to invest in Standard Life's SOFIII fund.
39. Any appropriate opportunities are then considered in the context of the Fund's overall investment strategy. The Fund's "opportunistic" allocation gives it considerable flexibility to capture any opportunities.
40. The Funds Investment Consultants, Hymans Robertson have advised the Pensions Committee that private debt was currently looking relatively expensive, with the representative from one of our Fund Managers at the last Pensions Panel meeting also having indicated that now was not the right time to invest in private debt. However private debt was considered a better long term investment than gilts as the interest rate was floating so they might become more attractive in the future.
41. The Fund is able to invest up to 2% in Opportunistic Investments, 1% of which had been allocated to the Standard Life SOF III.
42. The Fund Administrator commented that there was still an opportunity for a further 1% opportunistic investment, which would be in the region of £20 million.
43. Two Fund managers have been invited to a meeting in January 2018 to give a presentation, with a view to give a decision on whether to proceed with this type of investment.

Council Priorities

44. 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

45. 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

46. There are no specific financial implications as this report is made for information purposes.
47. 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

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

Conclusion and next Steps

49. The LGPS continues to be subject to considerable change and the current focus relates to the management of investments. The Fund and its employers also continue to address the operational issues arising from the implementation of the 2014 scheme for LGPS benefits.

Appendices

None

Background Papers

None

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Central Bedfordshire Council

AUDIT COMMITTEE

08 January 2018

Risk Update Report

Report of Charles Warboys, Director of Resources

Contact Officer: Clint Horne, Head of Internal Audit and Risk

Purpose of this report:

The purpose of this report is to give an overview of the Council's risk position as at November 2017.

RECOMMENDATIONS

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 November 2017.

Strategic Risks

4. This report provides an update on the risks currently contained within the Strategic Risk register. Many risks have been updated as to their Description, Mitigating Actions Already Underway and Further Action Planned fields. The changes are shown in a track changes format on the Risk Register at Appendix B.

Operational Risks

5. A way forward has been agreed whereby each Directorate will determine their own key risks at a Directorate Management Team (DMT) level and

subsequently after consolidation the top risks will contribute to this quarterly update for Operational risk. Work is now underway to implement this.

Council Priorities

6. 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

7. None directly from this report.

Financial Implications

8. None directly from this report.

Equalities Implications

9. None directly from this report.

Conclusion and next Steps

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

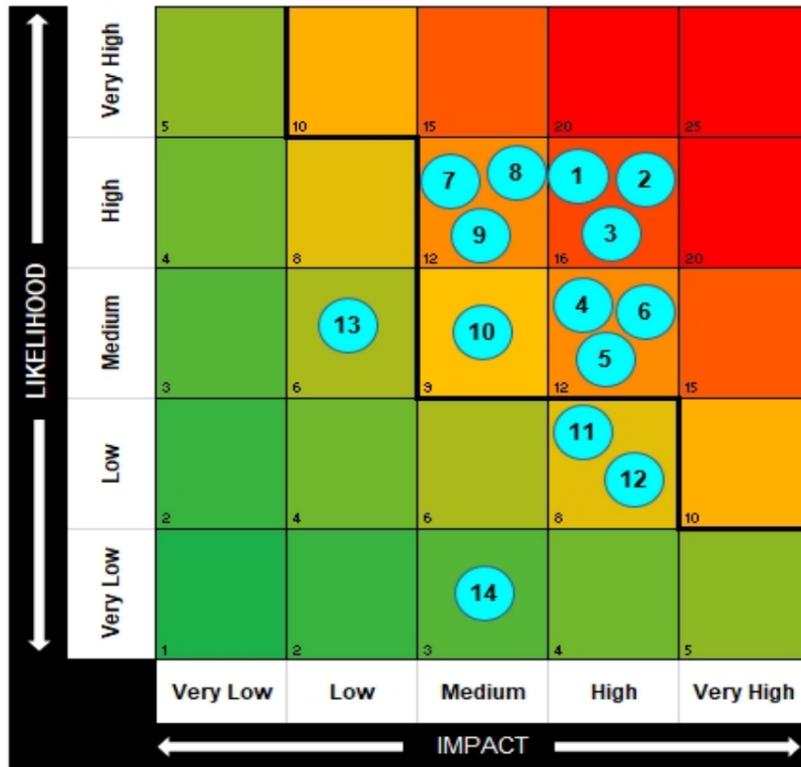
Appendices

Appendix A – November 2017 Strategic Risk summary dashboard.
Appendix B – November 2017 Strategic Risk Register

Background Papers

None.

Strategic Risk Dashboard



Assessing Likelihood

Scale	Description	Likelihood of Occurrence
5	Very High	Likely to occur each year / over 60% chance of occurrence
4	High	Likely to occur every 3 years / up to 60% chance of occurrence
3	Medium	Likely to occur every 5 years / up to 50% chance of occurrence
2	Low	Likely to occur every 10 years / up to a 20% chance of occurrence
1	Very Low	Likely to occur every 10+ years / up to a 10% chance of occurrence

Key			2016/17				2017/18	
#	Reference	Risk	May	Aug	Dec	Mar	June	Aug
1	STR0035	Failure to deliver major transformation programme within Children's Services.	16	16	16	16	16	16
2	STR0032	Unsustainable market for social care.	12	16	16	16	16	16
3	STR0027	Failure to adopt a Local Plan and Community Infrastructure Levy (CIL) .	16	16	16	16	16	16
4	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.	16	16	16	16	16	12
5	STR0009	Fragility / Failure of partners compromising public services and increasing costs to the Council	16	16	16	16	12	12
6	STR0036	Failure to deliver social cohesion.	16	16	16	16	16	12
7	STR0037	Failure to support vulnerable people and families, which results in higher demand for more intensive services.	9	12	12	12	12	12
8	STR0039	Failure to manage demand for rented and specialist accommodation as a consequence of constrained housing supply.		12	12	12	12	12
9	STR0040	Political and economic uncertainty arising from UK leaving EU and other significant international events.			12	12	12	12
10	STR0038	Ineffective partnership response to Emergency Planning.	12	12	12	9	9	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.	8	8	8	8	8	8
12	STR0013	Information Management: a lack of consistent information management and data accuracy across the organisation and the risk of non compliance with the Data Protection Act / (GDPR from May 2018).	8	8	8	8	8	8
13	STR0033	The impact of cyber crime.	6	6	6	6	6	6
14	STR0041	Failure to enact the changes we seek to move the organisation forward.						3

There are no significant changes to the risks in this update.

There has been some updating to the detail within the mitigation underway and future action planned as shown by the track changes on the Strategic Risk Register.

Assessing Impact

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

APPENDIX A

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Central Bedfordshire Council - Strategic Risk Register

Risk Ref	Risk Owner	Risk Manager	Risk Review Date	Inherent			Type	Nature of Risk	Description	Consequences	Mitigating Actions Already Underway	Residual			Status Change Since Last Report	Target Residual Risk Exposure	Further Action Planned or Other Comments	
				Impact	Likelihood	Exposure						Impact	Likelihood	Exposure				
STR0001	Charles Warboys	Charles Warboys	Nov 2017	5	5	25	Financial/Economic	Significant reduction in or redirection of funding/lack of certainty	Continuing financial pressures due to Central Government cuts, or loss of grant or other funding (e.g. Council Tax Support, Business Rates Retention, New Homes Bonus). £15.2m savings planned for 2017/18. With the switch of funding streams to other bodies, there is also a risk of failing to exert appropriate influence on decision making bodies who are receiving redirected funding e.g. SEMLEP. With the introduction of pooled funding for Better Care Plans there is a risk of failing to deliver the required objectives. There is a potential risk of clawback arising from the introduction of integrated budgets within NHS. Additional responsibilities may be transferred to local government without adequate additional resources. General uncertainty around future government policies e.g. • Impact of New Living Wage • Impact of Continuing Healthcare decisions on both Children and Adults • Issues relating to Housing Need, including Homelessness and Social Housing Rents • Certain Loss of RSG • Impact of change in Business Rate Retention • Better Care Fund • Risks/opportunities arising as a result of the recent "Brexit" referendum, including uncertainty over future European funding • NHS changes may result in significant cost shunting.	1. Financial loss 2. Pressures on CBC Budgets 3. Reputational damage 4. Non delivery/ reduction of services and/or reduction in reserves to fund services 5. Difficulties in planning ahead	1. There is robust monthly reviews of budgets including the proposed savings 2. The EIG (Efficiencies Implementation Group) meets monthly to review progress of proposed savings 3. Four Year Settlement in place 4. The Certainty Deal (gives certainty re RSG settlement) 5. Increase in Council Tax 6. Social Care Levy introduced 7. Four Year settlement in place. 8. Ensure that compensatory savings are found where savings are not delivered through the above 9. Build up of earmarked and general reserves to act as a short term buffer (including New Homes Bonus) 10. Robust MTFP, forecasting, and increasing focus on long term horizon 11. Establish good partnership working with all relevant bodies 12. Ensure CBC has representation on appropriate boards e.g. SEMLEP, Police 13. Responding to consultations 14. Networking 15. Longer term planning	4	3	12		↔	12	Continue with current mitigations.
STR0008	Stephan Conaway	Stephan Conaway	Aug 2017	5	4	20	ICT Systems	ICT Failure	Failure or disruption to key parts of the Council's ICT systems as a result of but not limited to: 1. Complexity of ICT 2. Dependence on third parties 3. In-house capacity and capability	1. Loss of business critical systems 2. Poor performance 3. Reduced customer service 4. Loss of data 5. Reduced staff motivation 6. Reputational damage 7. Inefficiency	1. A full report has been commissioned by an external provider to review current CBC infrastructure. Recommendations have been received; these are being considered for deployment. 2. Consideration is being given to disaster recovery and ensuring that systems/procedures are robust and ICT failures are minimised.	4	2	8		↔	8	1. Architectural review of core infrastructure 2. Development of roadmaps for core ICT systems 3. Explore further opportunities to source expertise from third parties 4. Participate in corporate approach to business continuity planning to minimise impact of IT failure or disruption 5. Installation of additional lines to provide resilience in the event of an outage and to provide greater load balancing across CBC infrastructure. Target for completion Feb 2017. 6. Data Centres being configured to a more highly secure configuration.

Central Bedfordshire Council - Strategic Risk Register

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STR0009	Richard Carr	Richard Carr	Nov 2017	4	4	16	Partners	Fragility of partners/Failure of Partners	Central Bedfordshire's vision cannot be delivered in isolation. All partners, including Police, Probation, Health, the Voluntary Community Sector, and Town and Parish Councils are experiencing significant changes and pressures. These include budgetary pressures, transfer of responsibilities, geographical factors, confusing accountabilities, increasing complexities, fragility and volatility. There is an increased risk that services to our public will be compromised and that increased costs will fall on the Council.	<ol style="list-style-type: none"> Decisions being made by key statutory partners that could impact adversely on another partner/CBC. Unforeseen/unknown liabilities falling on Central Bedfordshire Council Outcomes not achieved and services delivered to the public are compromised. Greater costs potentially falling on Council, including those arising from: Later than desirable interventions Increased scrutiny e.g. from inspectors Reputational damage 	<ol style="list-style-type: none"> Investing senior officer time in understanding partner issues, and looking to support partners with these issues (e.g. supporting Police with senior recruitment, supporting CCG address budget issues) Encourage consistent application of business-like solutions to addressing issues (e.g. MASH) Trying to be more focussed and very clear on true priorities and challenging how priorities are delivered (e.g. Joint Health and Well Being Strategy). Using evidence base to identify areas of greatest need (e.g. Joint Strategic Needs Assessment). Deploy resources and utilise investment opportunities effectively to support partners (e.g. Ivel Medical Centre) to deliver whole community benefits. Develop a multi agency approach, working closer with partners, communities and other stakeholders in a locality model. Good partnership working, including existing and specialist governance arrangements. Better Care Fund governance arrangements & plan, including iBCF funding Community Health Service re-provision work underway Kings Fund supporting the CCG, CBC and BBC to develop the vision for integration Strategic Transformation Programme underway Transforming Care Plan Tight monitoring of the Looked After Children Plan CCG Budget Recovery Plan Established Central Bedfordshire Transformation Board Moving to joint management arrangements with EPUT Procurement of Mental Health Services completed 	4	3	12		↔	8	<ol style="list-style-type: none"> Delivery of the recommendations from scrutiny enquiry into integration and associated work. Contribution to the Bedfordshire, Luton and Milton Keynes (BLMK) sustainability and transformation plan (STP). Further work on the implementation of Care and Health hubs.
STR0013	Stephan Conaway	Sean Dykes	Aug 2017	5	3	15	Information Governance	Information Management	A lack of consistent information management and data accuracy across the organisation and the risk of non-compliance with the Data Protection Act / (GDPR from May 2018)	<ol style="list-style-type: none"> Financial implications Reputational damage Non-compliance Inefficiency 	<ol style="list-style-type: none"> Conducted internal health check and identified action plan for recommended improvements including development of KPI. Review and redefine the terms of reference for the Information Assurance Group. Initiated update of retention schedules Council wide to meet legislative/operational retention requirements. Monitoring of staff participation is now included as a standard agenda item for Information Assurance Group. ICO Self assessment for GDPR readiness undertaken and working group established to drive forward. 	4	2	8		↔	6	<ol style="list-style-type: none"> Implementation of Corporate wide Data Protection training as well as improved corporate monitoring and actions to improve compliance rates. A review of information gathered through the PSN code of connection on the Council's holdings, which identifies information owners. Working group to work towards addressing gaps identified in Self Assessment before May 2018.
STR0027	Jason Longhurst	Jason Longhurst	Nov 2017	4	5	20	Community	Failure to deliver Sustainable Development	Failure to adopt a Local Plan and Community Infrastructure Levy (CIL) .	<ol style="list-style-type: none"> Financial loss Infrastructure, housing and employment requirements not delivered Reputational loss 	<ol style="list-style-type: none"> Project Board established PID approved for delivery. Awaiting advice sought from DCLG on risks of proceeding in absence of an up to date Local Plan Draft (Regulation 18) Plan to be published May/June 17 July 17 	4	4	16		↔	8	<ol style="list-style-type: none"> Draft submission Plan published for consultation Dec 17 Feb 18 Plan to be endorsed for 6 week consultation on 9th January Executive (regulation 19). Local Plan to be submitted to the Secretary of State on 28th March 2018. Adopt Local Plan April 2018 Process progressing to plan Government has announced proposals in the Autumn Budget November 2017 - review these and determine course of action in relation to CIL.

Central Bedfordshire Council - Strategic Risk Register

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				Impact	Likelihood	Exposure						Impact	Likelihood	Exposure			
STR0032	Julie Ogley	Julie Ogley	Aug 2017	4	5	20	Finance/economic	Unsustainable market for social care.	Not being able to access a sustainable market for social care at a reasonable price due to the implementation of NLW, implications of Brexit and other legislation, and its impact on the wider economy.	<ol style="list-style-type: none"> 1. Pressures on CBC budgets 2. Instability of the care market 3. Reduced capacity 4. Compromised safety and quality 5. Increased hospital admissions 6. Delays in transfer of care 7. Reputational damage 8. Reduction in choice 9. impact on recruitment and retention 10. Lack of case law 	<ol style="list-style-type: none"> 1. Market engagement 2. Broader support for care market 3. Review of effectiveness of contractual arrangements 4. Financial provision built into medium term plan 5. MANOP Investment Prospectus produced. 6. Report agreed at executive to identify sites for 2 care homes and 1 extra care. 7. Planning permission for Houghton Central granted November 2016 8. LD Commissioner in post who is now developing the Vulnerable Persons' Position Statement. 9. Day Care Review now underway. 10. Domiciliary care retender 11. Residential and Nursing home retender 12. 4% uplift on fees applied for 2017/18 13. 3% Social Care Precept 	4	4	16	↔	12	<ol style="list-style-type: none"> 1. Raise care as a priority within allocation policy for social renting. 2. Market position statement planned for vulnerable adults 3. Collaborative regional approach, to include operating model 4. Consideration of wider support to care market 5. Establish the approach to fee setting 6. Work is underway to develop Market Position Statements for Vulnerable People (Learning Disability, Mental health and Physical Disability). 7. Further investment in the Bedfordshire Care Association, as part of iBCF
STR0033	Stephan Conaway	Stephan Conaway	Aug 2017	4	3	12	ICT/Data Management	The impact of cyber crime.	The impact of cyber crime.	<ol style="list-style-type: none"> 1. Poor performance 2. Reduced customer service 3. Loss of data 4. Inefficiency 5. Financial loss 6. Reputational damage 7. Non compliance with data protection legislation 	<ol style="list-style-type: none"> 1. Member of Cyber Security Sharing Protocol (gov.). Provides advice on reducing risk of cyber crime. 2. Information Security Policy in place. 3. Information Security statement in place. 4. Data protection policy in place. 5. Patching regime in place. 6. Virus controls on devices. I pads in use with application security provided by Apple. 7. Network user access scanning. 8. Intrusion detection system updated. 9. Protocol for regular monitoring in place. 10. Internal IT assurance processes developed. 11. Policy for privileged user access developed. 	2	3	6	↔	6	<ol style="list-style-type: none"> 1. Password controls policy being updated - one password to cover all access. 2. Information security training to be expanded to include cyber crime risks. 3. Shadow image of files in Cloud to sit outside network.

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				Impact	Likelihood	Exposure						Impact	Likelihood	Exposure				
STR0035	Sue Harrison	Sue Harrison	Aug 2017	4	4	16	Service Delivery and Customers	Failure to safeguard children effectively. Failure to deliver budget efficiencies.	The failure to deliver major transformation programmes. (Children's Services).	<ol style="list-style-type: none"> 1. Failure to safeguard children effectively. 2. Non delivery of transformation programmes 3. Non realisation of budget savings 4. Service failure 5. Non achievement of CBC objectives 6. Reduced staff morale/retention 7. Lack of service improvement. 8. Restructure of management team leading to instability. 	<ol style="list-style-type: none"> 1. Work of Social Work and Early Help Academy – good CPD for social work staff 12. 1. Established a monthly Children's Leadership board (multi-agency) in place 2. Declared published timetable for the production and monitoring of the plan 2. Re-calibration of transformation activity is underway post Ofsted 3. Transformation programme plan is being updated to capture broader transformation activity across the Directorate (including SEND/CWD, High Needs Block and School Organisation educational plans) 4. Business Continuity Plans in place. 4. Established a monthly performance, finance and transformation meeting 5. Six weekly Transformation Board Meetings now in place. 5. Head of Transformation and Resources has been appointed (started 16th October) 6. Established a monthly Children's and Young Person's Board 7. Risk registers in place capturing financial/service risks 8. Project plan in place with milestones and KPIs 3 7. Additional budget monitoring is planned. 6 8. Vigorous self evaluation programme within Children's Services 9. Regular monitoring by CMT 10. Regular reporting to Overview and Scrutiny 11. Demand Analysis undertaken identifying potential opportunities for reducing children going into care 13. Assistant Director for Transformation and Education has been appointed (Commences 170717) 14 11. All Social Care and Early help teams are intergrated in localities and preparing for next stage of integration with partner agencies 15. New Community Healthcare providers are aware of new way of working. 	4	4	16		↔	9	Progress the implementation of the 'Locality' model in line with the recalibration of the transformation programme
STR0036	Marcel Coiffat / Jason Longhurst	Jeanette Keyte / Andrew Davie	Nov 2017	4	4	16	Service Delivery and Customers	Social division	Risk of failure to deliver community cohesion in the context of the demographic growth in Central Bedfordshire. Some settlements will experience considerable expansion and we need to manage potential resentment, secure equal access to facilities and enhance a sense of community. One aspect of this relates specifically to provision for gypsy and traveller communities	<ol style="list-style-type: none"> 1. Inequity 2. Enhanced deprivation 3. Social isolation 4. Pockets of extreme vulnerability (including. Modern day slavery) 5. Anti- social behaviour 6. Vigilante activity 	<ol style="list-style-type: none"> 1. Co-ordinated response to G&T issues 2. Options for more effective management direct action being explored in connection with one site in particular. 3. Local Plan is out for consultation. 4. Way forward on consultation for the Billingdon site now agreed by Executive. 5. Review of the terms of reference for the 4 Joint Committees underway. 6. Successful programme of T&PC Conferences throughout the year. 7. Member attendance at T&PC meetings. Monthly briefing provided to Members to assist communication. 8. Community engagement events held on specific issues, e.g. 15 Community Planning events. 9. Training for T&PCs on key issues, e.g. Planning and Emergency Response. 10. T&PC Forum established as sounding board to highlight and address key issues. 11. Key point of contact at Member and Senior Officer level to resolve issues and coordinate input. 12. S106 funded Community Buildings / Facilities transferred to T&PCs, (or in discussion) e.g. Stotfold, Silsoe, Biggleswade, Cranfield, Marston, Potton and Houghton Regis. 13. Audit of community facilities underway to inform future provision and S106 / CIL investment and future policy / technical guidance. (Piloting a holistic place based approach in Houghton Regis looking at integrating existing and new communities.) 14. Cabinet have agreed a proposed way forward for dealing with issues at a particular G&T site in CBs. The working group will develop an initial outline of work needed. 15. Police Unauthorised Encampment Procedure now in place and being worked to. Some gaps identified nd discussions will raise these with police colleagues. 16. Rural Policing Team now in place and CB Officers will engage particularly around G&T issues. 	4	3	12		↔	9	<ol style="list-style-type: none"> 1. Needs co-ordinated effort within CBC and development of further understanding of the issues likely to be experienced by some communities 2. Encourage consideration of the impact of demographic growth at earliest opportunity when considering plans including with partners 3. Local Plan needs further development to reflect Stronger Communities, and strategic responses to G&T and Transit sites 4. Need to strengthen liaison with Town Councils for growing towns 5. Investment in social infrastructure 6. Explore Legacy Project with Kingsland 7. Help partners understand the impact of demographic growth (e.g. Health and Police) 8. CBC Prevent Group is in place and will be developing an action plan set against recommendations from the Counter Terrorism Local Profile.

Central Bedfordshire Council - Strategic Risk Register

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STR0037	Julie Ogley/Sue Harrison	Julie Ogley/Sue Harrison	Aug 2017	4	4	16	Service Delivery and Customers	Failure to support vulnerable people, which results in higher demand for more intensive services.	Failure to support vulnerable people and families, including facets of access to accommodation, welfare reform and low levels of income.	<ol style="list-style-type: none"> 1. Increased homelessness 2. Lack of access to suitable accommodation 3. Increased child and family poverty 4. "Two Tier" community 5. Increased dependency upon CBC 6. Increase in number of children taken into care. 7. Negative health, well being and emotional impacts. 8. Increase in risky behaviours (lifestyles) 9. Capping of Local Housing Allowance. 10. More Children in Care 11. More Children in Criminal Justice System 	<p>SCHH:</p> <ol style="list-style-type: none"> 1. Investment by CBC to purchase additional housing for temporary accommodation 2. Discretionary Housing Payments 3. Additional investment in "Let's Rent" scheme 4. Homelessness Strategy Action Plan - progress towards DCLG "gold standard" 5. Invested in Credit Unions / new publicity has increased activity 6. Implement the Sheltered Housing Review, including de-designation of some schemes to meet the needs of other client groups. Rightsizing approach established with clear targets within the People scorecard, so as to make best use of stock 7. Tenancy Sustainment approach, supporting tenants earlier to increase rent collection and avoid crisis/support 8. Work is underway to develop right sizing alternative accommodation <p>CS:</p> <ol style="list-style-type: none"> 9. Transformation plans include managing demand and keeping children safe at home. 10. Childrens Services early help offer is strong and supports Children remaining with family wherever it is safe to do so. 11. Childrens Services 'One Family, One Plan' approach supports vulnerable people to better parent their children. 12. Childrens services share Youth Offending Team with Beds BC & there are strategic plans in place to work with Children at risk of entering the Criminal Justice System - these are monitored by the Youth Offending Board and the Ministry of Justice. 	3	4	12	↔	6	<p>SCHH:</p> <ol style="list-style-type: none"> 1. Redesign of ASC Customer Pathway to develop a better understanding of the customers needs and expectations to mitigate the need for paid services and support. 2. Reshape the prevention offer around community services, including extending this to primary care 3. Implementation of multi disciplinary approach, based on localities 4. Development of a Lettings Agency 5. Housing support into Hospitals and health settings <p>CS:</p> <ol style="list-style-type: none"> 1. Further joint working between Children and Adult Services. 2. SEND transition and supporting children leaving care with appropriate accommodation. 3. Plans to review and develop an ambitious vision for Children's Homes of the Future. 4. Four Year transformation plan to be delivered to timescales
STR0038	Marcel Coiffait/ Muriel Scott	Sue Childerhouse / Mark Conway Muriel Scott	Nov 2017	4	4	16	Partnerships	Ineffective partnership response to emergency planning. and emergency planning and resilience amongst health partners	<p>The fragility of the emergency planning and business continuity functions across partners and the impact of this on our ability to deliver our objectives. A particular facet relates to: shortcomings identified in the Police's approach to vulnerability identified by HMIC;</p> <p>and emergency planning and resilience amongst health partners</p>	<ol style="list-style-type: none"> 1. Failure to respond appropriately to health emergencies. 2. Reputational damage. 3. Failure to protect vulnerable people 4. Negative health impacts.. 5. Death 6. Legal action/financial loss. 7. Failure to deliver services. 	<ol style="list-style-type: none"> 1. Sharing capacity, expertise, resource and skills across partnerships to avoid duplication and strengthen response (CS) 2. Bedfordshire Community Risk Register in place. 3. Representation on Bedfordshire Local Resilience Forum (BLRF) <i>Work is still ongoing to review the way the forum works, but this is now mainly administration arrangements that are being streamlined and improved.</i> 4. Representation on Business Continuity Awareness Group (part of BLRF) 5. Guidance on schools resilience on schools portal 6. Plans and partnerships tested during recent gas outage in Ampthill, Clophill and Maulden 7. Local Health Resilience Partnership (co chaired by Director of Public Health) has overview and scrutiny of resilience arrangements for public health 8. Representation on Local Health Resilience Group 9. Multi agency flu plan 10. Infectious disease plan (CBC) 11. Application of 2004 Core Standards - Emergency Preparedness Response applied to all health organisations 12. Moderate individual organisations annual self assessments & recommend actions 13. Ensure mass casualties & pandemic flu plan are updated & exercised regularly. 	3	3	9	↔	9	<p>1- BLRF project on better joint working WIP</p> <ol style="list-style-type: none"> 2 1. Finalise Business continuity plans 3 2. Consideration of Joint Multi Agency Team 4- 3. On the 12th July 2016 BLRF Executive agreed that they would proceed with a Joint multi agency emergency planning unit. BLRF Executive to make decision W/C 18 September 2017 <p>4. In this last round of self assessments that health organisations have done in relation to EPRR which was moderated by our NHSE EPRR lead and myself, all partners have improved.</p>
STR0039	Julie Ogley	Julie Ogley	Aug 2017	3	5	15	Financial/Economic	Inability to deliver accommodation for vulnerable and homeless people	Uncertain national policy; singular focus on Starter Homes; also unpredictable change: rent reduction; LHA caps, result in the supply of rented and specialist accommodation being reduced and unaffordable. The new legislation, (Homelessness Reduction Act 2017), is likely to add to the numbers of people it is required to accommodate which will need to be resourced.	<ol style="list-style-type: none"> 1. Interventions across the Council are challenging: Children's; Adults 2. Pressure on CBC Budgets; 3. Unmet housing need; risk of harm; 4. Increased homelessness; 5. Reputational damage; 6. Reduction in choice 	<ol style="list-style-type: none"> 1. Local Plan policies 2. Council's approach to use of land assets 3. Homelessness Strategy Action Plan 4. Temporary Accommodation Action Plan 5. Good quality advice & information 6. Supported Housing re-configuration 7. Housing Investment Plan & Business Planning 8. MANOP programme 9. Supply of rented & specialist accommodation 10. CBC Policy position on Starter Homes 11. Negotiation of section 106 agreements 12. Welfare Reform Group Action Plan 13. Alignment between partner ambitions and CBC objectives. 	3	4	12	↔	9	

Central Bedfordshire Council - Strategic Risk Register

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STR0040	Richard Carr	Richard Carr	Nov 2017	4	4	16	Financial/Economic	Financial and economic uncertainty	The political and economic uncertainty around potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union and other significant international events, which may impact on Council objectives.	Impact on; <ol style="list-style-type: none"> 1. local economy 2. capital receipts and land and property negotiations 3. employment trends and productivity waste disposal 4. changes in ministerial appointments and the associated implications for aspects of government policy, such as education, public health, and indeed the approach to the management of the public finances 5. the potential impact of changes being considered by the Bank of England, such as adjustments to interest rates 6. workforce implications, especially in areas like health and social care where significant numbers of staff were non UK nationals 7. the impact of the unwinding of European legislation affecting large areas of regulation, including areas such as the working time directive and health and safety regulations, employment rights and procurement, and community cohesion and the need to ensure inappropriate behaviour and, indeed, racism was tackled appropriately and quickly. 	<ol style="list-style-type: none"> 1. Continued monitoring of the post referendum environment by CMT 2. Keeping abreast of official publications from local, central and European government 3. Targeted lobbying by Members on specific issues 4. Influencing Government through responding to consultations 5. Engagement with the Local Government Association (LGA), Department of Communities and Local Government (DCLG), Department of Innovation and Skills, and other relevant bodies to ensure that current funding is protected 6. Monitor emerging policy changes 7. Monitor European Union funded schemes. 8. Reflect budget implications in MTFP 	3	4	12		↔	12	
STR0041	Richard Carr	Georgina Stanton / Vikki Chapman	Nov 2017	4	3	12	Service Delivery and Customers	Failure to enact the changes we seek to move the organisation forward.	An inability to unify and manage a diverse range of change projects as a prioritised and resourced transformation programme.	<ol style="list-style-type: none"> 1. Failure to understand the relative importance and dependence of change projects. 2. Inability to deploy the resources required to the things that are most critical for us to deliver. 3. Failure to achieve stated priorities for customers, staff, partners and suppliers. 	<ol style="list-style-type: none"> 1. CMT have agreed outcomes, measures and provisional targets for a range of cross cutting change projects. 2. A set of design principles have also been agreed which include commitments to take a whole system approach to change and to aim for standardisation in our approach. 	3	1	3		↔	3	In taking the work forward a cross council group is exploring what other significant change programmes (including work on Quadrants) are underway in order that their relationship to the CMT transformation goals/workstreams can be understood. The group will also look at dependencies and recommend options for prioritisation, delivery models and engagement.

Key:

Text Added since last update

Text to be removed

Risk Removed from Strategic Risk Register

Central Bedfordshire Council

AUDIT COMMITTEE

08 January 2018

Internal Audit Progress Report

Report of Charles Warboys, Director of Resources

Contact Officer: Clint Horne, Head of Internal Audit and Risk

Purpose of this report:

This report provides a progress update on the status of Internal Audit work for 2017/18.

RECOMMENDATIONS

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 the responsibility of the Audit Committee.

Background

2. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal audit reviews, appraises and reports on the efficiency, effectiveness and economy of financial and other management controls.
3. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
4. The Audit Committee approved the 2017-19 Internal Audit Plan in April 2017. This report provides an update on progress made against the plan up to the end of November 2017.

Progress on the 2017/18 Audit Plan

Fundamental System Audits

5. Three of the Fundamental System audits are at Draft report stage; Accounts Receivable, Main Accounting System and Housing Benefits and all obtained Adequate Assurance opinions.
6. Apart from Swift Financials all the other Fundamental Systems audits are in progress and nearing completion and no significant issues have been identified to date. Swift Financials will commence shortly.
7. As previously reported a light touch approach has been in place for these reviews for several years; so more detailed substantive testing has been undertaken for each audit on a prioritised risk basis. Any recommendations made in previous years have also been followed up.

Other Audit Work

8. Internal Audit continues to be engaged in several projects, in order to provide advice and guidance on the control environment during project implementation which has included the SuccessFactors Project and the Fiori Project (both part of the SAP Optimisation Programme) and shortly with the Acolaid replacement Project. Work has also been undertaken on grant certification work.
9. In addition to the Fundamental System audit reviews the following audits have been completed since the last update:
 - Members Declarations of Interest, Gifts & Hospitality (Final report – Adequate)
 - IT inventories (Final report – Adequate)
 - Leisure Services Outcomes – Post implementation review (Final Report – Adequate)
 - Pro-active Fraud review - Cash Disbursements (Final Report – Adequate)
10. A number of other reviews are currently progressing, which are shown within Appendix A. The outcomes will be reported to a future committee meeting.

Schools

11. No further school audits have been undertaken since the last update, however initial preparations have been made for 7 audits to be undertaken in the next quarter piloting our new approach.

Other Matters of Interest

12. In terms of Internal Audit resource, we have had a new Senior Auditor join us in October who although being new to the profession has settled well. Additionally the external round of recruitment for the vacant Audit Manager position has proved successful with an appointment being made and once the pre-employment checks are complete we can then agree a start date.
13. We are currently in the early stages of looking to bring in some specialist external expertise to support our ICT audit work with some specific reviews. This will include an ICT universe scoping exercise resulting in a 2-3 year prioritised ICT audit plan along with audits of Cyber Security and IT Disaster Recovery.
14. Following on from the last update, Ernst and Young have now been confirmed as our External Auditor from 18/19.

Performance Management

15. The remaining audit plan has been re-prioritised in light of our remaining capacity and relevant business/risk factors with a number of planned audits either being cancelled or deferred to the 2018/19 year (as shown on Appendix A).
16. The Internal Audit Charter requires Internal Audit to report its progress on some key performance indicators. The indicators include both CBC audit activities and school audit activity.

Activities for 1 April 2017 – 31st November 2017

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	50%	53%	58%	80%
KPI02	Percentage of the number of planned reviews completed.	40%	47%	47%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	88%	75%	74%	75%
KPI04	Time taken to respond to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	61%	80%	76%	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	94%	80%	92%	80%
KPI06	Overall customer satisfaction.	95%	80%	88	80%

17. Analysis of indicators:

- KPI01 - As at the end of November, Internal Audit has delivered a total of 645 productive audit days against a total of 1260 planned days for the year.
- KPI02 - This KPI measures planned work completed and currently 40% of the plan is complete. A further four reviews have been completed to draft report stage.
- KPI03 - 88% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. Whilst this is higher than the target it does only reflect the completed work and we recognise that this figure is likely to reduce by the end of the year as current work in progress is finalised.
- KPI04 - This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. During the period up to the end of August 61% of draft reports were responded to within the target set.
- 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 at 94%.
- KPI06 – 10 responses have been received for customer satisfaction surveys so far this year and all have been either satisfied or very satisfied.

Council Priorities

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

Corporate Implications

Legal Implications

19. None directly from this report.

Financial Implications

20. 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

21. None directly from this report.

Conclusion and next Steps

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

23. A further update on audit progress will be presented to the next Audit Committee.

Appendices

24. Appendix A – Progress on Audit Activity

Background Papers

25. None.

Priority	Audit Title	2017/18 Days	Link to strategic risk	Position as at end August	Opinion
H	B/f work				
	Accounts Payable/Purchase Ledger (including feeder systems)			Final report issued	Adequate
	Asset Management (incl. Asset Register)/Capital Accounting			Final report issued	Adequate
	SWIFT Financials			Final report issued	Limited
	Contracts Management - Data Centre Visits			Briefing Note issued	n/a
	Proactive anti fraud - Employee Self Service (Expense claims and Timesheets)			Briefing Note issued	n/a
	Maulden Lower School			Final report issued	Limited
	Sandy Upper School Follow-up			Final report issued	Unsatisfactory Progress
	VAT			Final report issued	Adequate
	Financial Assessment & Charging for Residential Care			Final report issued	Adequate
	Members, Declarations of Interest, Gifts & Hospitality			Final report issued	Adequate
	Comensura			Draft report issued	Adequate*
	IT inventories			Final report issued	Adequate
	Leisure Services Outcomes - Post implementation review of Flitwick Leisure Centre			Final report issued	Adequate
	IT Customer Service - problem resolution (Helpdesk)			Fieldwork in progress	-
	Section 106 Agreements			Deferred to 18/19 pending outcome of external review.	-
Total - Carry Over Work		120			
Fundamental Systems					
H	Accounts Payable/Purchase Ledger (including feeder systems)	35	STR0001	Fieldwork in progress	
H	Accounts Receivable/Sales Ledger	30	STR0001	Draft Report	Adequate*
H	Council Tax (including Council Tax Support Scheme)	35	STR0001	Fieldwork in progress	
H	Housing Benefits	40	STR0001	Draft Report	Adequate*
H	Main Accounting Systems (MAS)	30	STR0001	Draft Report	Adequate*
H	National Non Domestic Rates NNDR	35	STR0001	Fieldwork in progress	
H	Payroll	35	STR0001	Fieldwork in progress	
H	SWIFT Financials	15	STR0001		
H	Treasury Management	20	STR0001	Fieldwork in progress	
H	Housing Rents including tenant arrears	25	STR0001	Fieldwork in progress	
H	Cash And Banking (Non Invoiced Income)	20	STR0001	Fieldwork in progress	
Total - Fundamental Systems		320			
Assurance Audits - Chief Executive					
M	Data Quality	15	STR0013		
M	Information Governance (Records Management)	15	STR0013	Final report issued	Adequate
Total - Chief Executive		30			

Priority	Audit Title	2017/18 Days	Link to strategic risk	Position as at end August	Opinion
Assurance Audits - Resources					
M	VAT reviews	10	STR0001	Cancelled	
M	Budgetary Control	15	STR0001	Fieldwork in progress	
L	Highways Infrastructure - processes for accounting	15	STR0001	Cancelled	
L	Ethics - Declarations of Interests, Gifts and Hospitality - Officers	10	Governance		
M	Corporate Governance Reviews - LGSS Law	15	Governance	Fieldwork in progress	
L	Democratic Services Review	10	Governance	Scoping in progress	
Total - Resources		75			
Assurance Audits - Children's Services					
M	Schools General - School Improvement	80	Governance	Rolling programme, 1 School completed see below	
	Watling Lower School		Governance/Operational	Final Report Issued	Limited
M	Themed Reviews	15	STR0035		
M	Pro-active Fraud review - Cash Disbursements	20	Counter Fraud	Final Report Issued	Adequate
Total - Children's Services		115			
Assurance Audits - Social Care, Health and Housing					
L	Day Centres	10	Operational	Cancelled	
M	Better Care Fund Integration	15	STR0009		
M	New Generation Housing	15	STR0032	Cancelled, Service Request	
M	Direct Payments - Review of controls	15	Operational	Deferred to 18/19	
M	Follow-up on QL - SAP interface	5	STR0001	Final Report Issued	
Total - Social Care, Health and Housing		60			
Assurance Audits - Community Services					
M	Highways - assurance on client assurance arrangements	10	Operational	Deferred to 18/19 at Service Request	
M	Compliance - Assets	10	Operational		
M	School Transport	15	Operational	Deferred to 18/19 at Service Request	
IT Reviews:					
M	Cloud Hosting Data Storage	15	STR0008	Cancelled	
H	IT Cyber Security	15	STR0033	Scoping in progress	
M	Project Management - IT Governance	15	Governance	Scoping in progress	
M	Desk Top Environment - End User Compliance	15	STR0008	Cancelled	
H	IT Disaster Recovery	10	STR0008	Scoping in progress	
H	SAP Access and Security	10	STR0013	Scoping in progress	
M	Third Party Hosting	15	STR0013	Fieldwork completed	
Total - Community Services		130			
Assurance Audits - Regeneration and Business Support					
M	European Social Fund	15	Operational		
M	Albion Archaeology	15	Operational		
Total - Regeneration and Business Support		30			
Assurance Audits - Contracts and Partnerships					
M	Contracts Management	20	STR0001/Operational	Deferred to 18/19	
M	Value for Money reviews	15	STR0001/Operational	Cancelled	
M	Partnership Governance	15	STR0009/Governance		
Total - Contracts and Partnerships		50			
Assurance Audits - Public Health					
M	Public Health compliance with best practice	15	STR0038		
M	Joint Procurement Arrangements	15	STR0038		
Total - Public Health		30			
Special Investigations					
M	National Fraud Initiative (NFI)	20	STR0001	Ongoing throughout year	
M	Special Investigations	40	STR0001		
Pro active anti fraud reviews					
L	Allocation of Grants	10	Operational		
Total - Special investigations		70			
Ad Hoc Consultancy etc.					
H	Risk Management Activities	35	-	Ongoing throughout year	
M	Major projects - Consultancy	70	-	Ongoing throughout year	
M	Supporting Annual Governance Statement	5	-	Ongoing throughout year	
M	Audit of Individual Grants	20	-	Ongoing throughout year	
M	General Advice	20	-	Ongoing throughout year	
M	Head of Audit Chargeable Against Plan	60	-	Ongoing throughout year	
M	Assurance Mapping Review	5	-	Ongoing throughout year	
L	Contingency	15	-		
Total - Ad Hoc Consultancy etc.		230			

<u>Priority</u>	<u>Audit Title</u>	<u>2017/18</u>	<u>Link to strategic risk</u>	<u>Position as at end August</u>	<u>Opinion</u>
		Days			
TOTAL CHARGEABLE DAYS REQUIRED		1260			

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Central Bedfordshire Council

AUDIT COMMITTEE

08 January 2018

Tracking of Internal Audit Recommendations

Report of Charles Warboys, Director of Resources

Contact Officer: Clint Horne, Head of Internal Audit and Risk

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.

RECOMMENDATIONS

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 November 2017.

Tracking High Priority Recommendations

5. There are 2 'Housing Tenancy Management' recommendations and the 'Assets Compliance' recommendation that remain outstanding. Details are provided at Appendix A.
6. 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.
7. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the fundamental system audit reviews.

Future Monitoring

8. 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

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

Corporate Implications

Legal Implications

10. None directly from this report.

Financial Implications

11. 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

12. None directly from this report.

Conclusion and next Steps

13. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.
14. 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 outstanding High Priority recommendations that remain outstanding
Appendix B – Summary of High Priority Internal Audit recommendations as at 30/11/2017

Background Papers

None.

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

Social Care, Health and Housing

Housing Tenancy Management

Recommendation R1:
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.

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.

Target Dates:
November 2015
March 2016 (revised)
August 2016
October 2017

Current Position and Explanation for Slippage:
It was previously reported that Regeneration and Business restructure was currently out to consultation and that the recommendation would be addressed once this was finalised.

The Regeneration and Business restructure has now been finalised and positions have been advertised. These include a Housing Strategy & Implementation Manager who will be tasked with ensuring that the above recommendation is implemented. A revised target date will be reported to the next committee unless already actioned.

Recommendation R2:
A Monitoring Group should be established, with clear terms of reference, to monitor and review the effectiveness of the Tenancy Strategy.

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.

Target Dates:
As above.

Current Position and Explanation for Slippage:
This will be addressed as part of the action plan being developed in response to the earlier recommendation.

Community Services

Assets - Compliance with the statutory, regulatory and legal requirements for the Council's buildings

Recommendation R3:

A Corporate Landlord approach should be adopted by consolidating compliance assurance responsibilities. This will unify professional and technical resources and avoid duplication of resources.

Rationale for Recommendation:

At the time of the audit, there was no mechanism in place to monitor the compliance level of all corporate properties. The Facilities Management Team monitor 61 properties, however a further 80 properties are managed at directorate level. The Facilities Management Team is therefore unable to vouch for their compliance.

Target Dates:

June 2017

Current Position and Explanation for Slippage:

Senior Management have agreed that Corporate Landlord model will be adopted but implementation planning has not yet started. Permanent Head of Facilities Management started in September '17 and is tasked to create an implementation plan.

Summary of Outstanding High Priority Internal Audit recommendations as at End November 2017

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	Work in Progress - Target missed AMBER	No work started - target missed RED	
SOCIAL CARE, HEALTH & HOUSING								
Housing Tenancy Management	04/09/2015	30/11/2015	2			2		Recs.1-2
COMMUNITY SERVICES								
Regular Reconciliation between QL & SAP	Pre 2012	30/09/2014	3	3				
Assets Compliance	08/12/2016	30/06/2017	1			1		Rec 3
Total			7	3	0	3	0	

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Central Bedfordshire Council

AUDIT COMMITTEE

8 January 2018

Work Programme

Advising Officers:

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

2017/18 Municipal Year	
29 June 2017	<ul style="list-style-type: none"> • CBC Unaudited Statement of Accounts 2016/17 (presentation) (CW/RG) • Annual Audit and Certification Fees 2017/18 (NH) • Annual Governance Statement 2016/17 (QB/MD) • Local Government Pension Scheme Update (RG) • Annual Counter Fraud Update (GM) • 2016/17 Internal Audit Annual Audit Opinion (CH) • Tracking of Internal Audit Recommendations (CH) • Risk Update Report (CH) • Work Programme (LM)
27 September 2017	<ul style="list-style-type: none"> • External Audit Results Report 2016/17 (NH) • Statement of Accounts 2016/17 (DG) • Update on the General Data Protection Regulation (SD) • Annual Governance Statement 2016/17 (QB/MD) • Risk Update Report (CH) • Internal Audit Progress Report (CH) • Tracking of Internal Audit Recommendations (CH) • Work Programme (LM)
8 January 2018	<ul style="list-style-type: none"> • Certification of Claims and Returns Annual Report 2016/17(NH) • Annual Audit Letter for the Year Ended 31 March 2017 (NH) • Audit Planning Report (NH) • Update on Preparations for the GDPR (SD) • Statement of Accounts 2017/18 (SP) • Local Government Pension Scheme Update (DG) • Risk Update Report (CH) • Internal Audit Progress Report (CH) • Tracking of Internal Audit Recommendations (CH) • Work Programme (LM)
9 April 2018	<ul style="list-style-type: none"> • Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments (GM) • Risk Update Report (CH) • Tracking of Internal Audit Recommendations (CH) • Internal Audit Progress Report (CH) • Work Programme (LM)

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