

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

**This meeting
will be filmed.***



**Central
Bedfordshire**

please ask for Leslie Manning
direct line 0300 300 5132
date 8 November 2018

NOTICE OF MEETING

AUDIT COMMITTEE

Date & Time

Monday, 19 November 2018 10.00 a.m.

Venue at

Council Chamber, Priory House, Monks Walk, Shefford

Richard Carr
Chief Executive

To: The Chairman and Members of the AUDIT COMMITTEE:

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

[Named Substitutes:

Cllrs D Bowater, F Firth, Mrs J G Lawrence and I Shingler]

All other Members of the Council - on request

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

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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 30 July 2018 (copy attached).

3. **Members' Interests**

To receive from Members any declarations of interest.

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

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

5. **Petitions**

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

7. **Presentation on LGSS Law Ltd**

To receive a presentation on aspects of the operation of LGSS Law Ltd within Central Bedfordshire Council.

8. **Annual Audit Letter for the Year Ended 31 March 2018**

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

9. **Revisions to Internal Audit Charter**

To consider proposed revisions to the Internal Audit Charter following changes to the Public Sector Internal Auditing Standards (PSIAS).

10. **Risk Update Report**

To consider an overview of the Council's risk position as at October 2018.

11. **Internal Audit Progress Report**

To consider an update on the progress of work by Internal Audit for 2018/19.

12. **Work Programme**

To consider the Audit Committee's work programme.

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Council Chamber, Priory House, Monks Walk, Shefford on Monday, 30 July 2018

PRESENT

Cllr M C Blair (Chairman)

Cllrs N B Costin
P Downing
R Morris

Cllrs B J Spurr
A Zerny

Apologies for Absence: Cllrs D Bowater
D J Lawrence
D Shelvey

Members in Attendance: Cllrs A D Brown
I Dalgarno
E Ghent
C C Gomm
Mrs S A Goodchild
K C Matthews
Mrs T Stock
B Wells
R D Wenham
J N Young

Officers in Attendance: Mr D Galvin Assistant Director of Finance
Mr C Horne Head of Internal Audit and Risk
Mrs J Luckman Fraud, Welfare & Partnerships
Manager, Revenues and Benefits
Mr L Manning Committee Services Officer
Ms S Michael Head of Corporate Finance
Mr G Muskett Head of Revenues & Benefits
Ms S Pocock Financial Controller
Mr C Rushworth Legal Services Business Manager
Mr C Warboys Director of Resources and Section
151 Officer

Others In Attendance: Mr N Harris Associate Partner – Ernst & Young
LLP
Ms C Ryan Manager – Ernst & Young LLP

AUD/18/1. **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 30 May 2018 be confirmed and signed by the Chairman as a correct record.

AUD/18/2. **Members' Interests**

None.

AUD/18/3. **Chairman's Announcements and Communications**

The Chairman asked Members to silence their mobile telephones. He also reminded the Committee that the meeting was being webcast.

AUD/18/4. **Petitions**

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

AUD/18/5. **Questions, Statements or Deputations**

No questions, statements or deputations were received from members of the public in accordance with the Public Participation Procedure set out in Part 4G of the Constitution.

AUD/18/6. **Presentation on LGSS Law Ltd**

The Committee received a presentation on LGSS Law Ltd. The presentation summarised the background to the current arrangements between that body and the Council and set out the benefits achieved so far. Whilst the main focus was on the services provided to the Council some information was also provided on the company's performance given that the Council was one of its shareholders.

Points and comments included:

- An introduction to the presentation by the Director of Resources.
- Full discussion on the organisation of LGSS Law, the financial costs of its operation and the level of savings actually achieved by the Council's use of that body, the level of debt across the whole of LGSS Law, together with staffing matters. The Director of Resources was not able to state the number of key staff who had left as he did not have the information at the meeting.

- The forecast expenditure for the next three years remained at the reduced level, incorporating the originally anticipated savings. Because of the increasing volume of work it was necessary to establish whether it was a sustainable figure or might result in continued overspends.
- In response to Members' concerns regarding LGSS Law's financial position, given the monies owed to it by both Northamptonshire and Cambridgeshire County Councils, the Director of Resources explained that the problem at Northamptonshire was one of expenditure control in the long term not one of cash flow. Northamptonshire County Council was able to pay legitimate invoices.
- Two or three district councils also used LGSS Law for planning services though Central Bedfordshire was the largest authority to do so. As a result there was a sharing of legal talent across the authorities.
- Members raised concerns regarding the quality of service provided and expressed doubt regarding the accuracy of the data obtained from the end of case surveys completed by clients. The Members suggested possible reasons for both the low level of response by clients and the apparent full satisfaction which, the survey results indicated, LGSS Law provided.
- The Committee noted the measures being taken by the Legal Services Business Manager to improve the accuracy of data, the role of the 'intelligent client', KPI's and efforts to ensure remedial action was carried out where necessary.
- The Committee indicated that it would wish to secure the attendance of representatives from LGSS Law in order to answer questions Members might have.
- In response to a Member's request seeking the submission of the Service Improvement Plan to the Committee the Director of Resources stated that internal management plans were not normally brought to public meetings but he would examine and determine if it was appropriate.
- The Chairman stated that, as shareholders, there were issues with which Members were dissatisfied but with the appointment of new staff and the other measures that had been taken there was a movement forward and it would be premature to judge the progress made.
- The Chairman thanked the Director of Resources for his presentation and his candour.

NOTED

the presentation on LGSS Law Ltd.

RESOLVED

- 1 that an update on LGSS Law Ltd on how the service improvement recommendations had been implemented be submitted to the Audit Committee at its meeting on 19 November 2018.**
- 2 that the Director of Resources discuss with LGSS Law Ltd the possible attendance by its employees at the Committee in order to respond to Members' queries.**

- 3 that the Children's Services Overview and Scrutiny Committee be requested to consider the efficiency of Children's Services in its commissioning of work by LGSS Law Ltd.**

THE MEETING ADJOURNED AT 11.35 A.M. AND RECONVENED AT 11.40 A.M.

AUD/18/7. External Audit Results Report 2017/18

Members considered a report from Ernst & Young LLP (EY), the Council's external auditor, which summarised the company's preliminary audit conclusion as at 24 July 2018 in relation to the audit of Central Bedfordshire Council for 2017/18.

Points and comments included:

- The context of the preparation of the accounts, which involved an accelerated closure and the related pressures on personnel in both the Council and the external auditors.
- The EY audit had been concluded and its opinion would be issued before the statutory deadline. This reflected well on the work undertaken by both the Council's finance team and the company's own audit team.
- The EY audit opinion on the Council's accounts would be an unqualified audit opinion as the accounts represented a true and fair view of the Council's financial performance.
- EY would also be issuing an unqualified value for money conclusion to say the Council had secured adequate arrangements for value for money.
- The materiality level that was applied by EY when auditing the Council's primary financial statements was £12m, which represented 2% of the Council's gross revenue expenditure. Items above what EY regarded as its 'trivial' level of £600k were reported.
- All outstanding items listed in the report had now been completed apart from the Council's own consideration of the management representation letter and of the accounts. Once they had been concluded EY would be able to issue its opinion.
- In the accounts prepared the Council received information from the actuary setting out a number of assumptions about the Council's share of the Pension Fund assets and liabilities within the Bedfordshire Pension Fund. Whilst actuaries tended to prepare information based on data available at the end of December and then estimate up to the financial year end the Fund's auditors had access to more up to date estimate. In addition there could be almost daily variations in a pension fund's value and liabilities. EY had taken a strict interpretation of any differences in estimates between one point in time and another, had held discussions with relevant parties and made use of its own experience as a pension fund auditor. In the Audit Results report it was stated that there could be a difference of up to £2m in the Council's share of any difference in the market valuation of the Fund's assets.

However, a new actuary report showed that the difference could actually be up to £6m. Any judgemental difference was well below EY's level of materiality and the Fund's auditor had said that there was no concern with the control environment operated round the Fund. The movement in the estimate was within a reasonable range and that, in effect, was just a technical difference between an estimate at one point in time and another. EY recommended that the Council updated its actuarial results and adjust its accounts but the Council did not have to do so and the amount involved would not impact on EY's audit opinion.

- The Dunstable leisure centre was going through a significant programme of refurbishment and had been valued in the accounts on a particular basis. Further work had been carried out to ensure that the valuation was within an appropriate range and classified and disclosed appropriately in the accounts.
- On the value for money conclusion there were no matters that the Committee needed to be made aware of by EY or any matters of concern. There were no other concerns regarding the Council's arrangements for value for money for the financial year.
- There were no other matters EY needed to report in line with its statutory responsibilities nor any concerns around the company's independence.
- There were no plans to alter the audit fee set by the Public Sector Audit Appointments Ltd (PSAA).
- The EY Associate Partner thanked the officers of the Council for their co-operation and assistance during the audit process.
- EY was required to undertake a piece of work to inform how the Council's accounts consolidate into the whole of government accounts. The deadline set by the government for returns was the end of August and this would be met. However, it meant it was not possible to certify closure of the audit until the work was concluded. It would not affect the signing of the letter of representation.

NOTED

the External Audit Results Report from Ernst & Young LLP.

AUD/18/8. CBC Audited Statement of Accounts 2017/18

The Committee considered a report by the Director of Resources and Section 151 Officer which presented the 2017/18 Statement of Accounts for approval. A copy of the Statement was attached at Appendix A to the report, a schedule of changes to the draft Statement of Accounts, certified by the Chief Finance Officer on 30 May 2018, was attached at Appendix B and the Management Representation Letter was attached at Appendix C.

Points and comments included:

- Members' attention was drawn to the adjustment in the accounts relating to the building of Lower Wilbury Farm School. That item formed the main audit difference. Attention was also drawn to the reference in the

officer report and the Management Representation Letter (at Appendix A) to the Bedfordshire Pension Fund and how the Council's proportion of the revised asset position now stood at approximately £6m. The copy of the Letter to be signed had been amended to reflect this change.

- Reference was made to the Annual Governance Statement and that, since approval at the May meeting, two additional paragraphs had been inserted into section 6.
- Appendix B detailed six pages of changes between the draft version of the Accounts and the final version including reference to the Lower Wilbury Farm School. This had arisen because it had not been recognised that the School would be a Council asset and the resulting changes, which effectively reversed the previous accounting treatment, impacted on the Accounts in a number of places. The remainder of the changes were presentational in nature but, for the purposes of transparency, had been disclosed.
- None of the changes impacted on the bottom line as reported in the management accounts. The underspend and position on reserves had not changed.
- The circumstances and resulting impact surrounding the Lower Wilbury Farm School were unique and that situation had not occurred before. Nonetheless, the officers would be alert to those circumstances arising again.

On behalf of the Committee the Chairman thanked the officers and the external auditors for their efforts.

RESOLVED

- 1 that the 2017/18 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 changes set out in the Schedule of Changes at Appendix B to the report, be approved;**
- 2 that the Annual Governance Statement for 2017/18 be published together with the 2017/18 Statement of Accounts;**
- 3 that the Chairman of the Audit Committee and the Director of Resources and Section 151 Officer be authorised to sign the 2017/18 draft Letter of Representation to the Council's external auditor, Ernst & Young LLP, as set out at Appendix C to the report of the Director of Resources and Section 151 Officer.**

AUD/18/9. Annual Audit and Certification Fees 2018/19

The Committee received a letter from the Council's external auditors, Ernst & Young LLP (EY), to the Chief Executive. The letter confirmed the audit work that the company proposed to undertake for the financial year 2018/19, the indicative audit fee, summary of fees, associated billing arrangements and briefly outlined the aim of the forthcoming Audit Plan.

Points and comments included:

- The letter was indicative and a detailed Audit Plan would be submitted to the Committee later in the year.
- Public Sector Audit Appointments Ltd had reduced the 2018/19 scale audit fee by 23% from the fees applicable for 2017/18.
- Although the certification of housing benefit subsidy claim, teachers' pensions and the pooling of housing capital receipts were shown as 'not applicable' in the letter it was anticipated that EY would carry out all of those tasks.

NOTED

the 2018/19 annual audit and certification fees letter to the Chief Executive from Ernst & Young LLP.

AUD/18/10 Annual Counter Fraud Update

The Committee considered a report which provided an update on the work of the Council's Corporate Fraud Investigation Team (CFIT). The report included case studies where prosecutions had been undertaken.

Points and comments included:

- The value of the CFIT in both investigating and deterring fraud.
- Use of the Team's expertise by Registered Social Landlord housing organisations because the latter did not have the powers to undertake investigations themselves.
- A request had been made for a trainee to join the Team as it was anticipated that additional fraud referrals would be made.
- Liaison with Bedfordshire Police was positive.
- All associated legal action was undertaken internally by LGSS Law Ltd.

NOTED

the update on the work of the Corporate Fraud Investigation Team for 2017/18.

AUD/18/11 Local Government Pension Scheme Update

The Committee considered an update on the governance of the Local Government Pension Scheme (LGPS).

Points and comments included:

- Although delays had occurred on such issues as exit payment reforms none had impacted on the formation of the Border to Coast Pensions Partnership Ltd. or its forthcoming operation. At present the Council's

funds were still being actively managed through the Bedfordshire Pension Fund.

- Table 2 in the report revealed a significant increase in the Pension Fund net assets in 2016/17 and a significant decrease in 2017/18. This was because in 2016/17 all asset classes performed at 18.5% overall, driven by equities. However, in 2017/18 the overall performance was 2.3% due to a downturn in capital markets.

NOTED

the Local Government Pension Scheme update.

AUD/18/12 Internal Audit Progress Report

The Committee considered a report outlining the progress made on Internal Audit work against the Internal Audit Plan for 2018/19 up to the end of June 2018.

NOTED

the progress made against the 2018/19 Internal Audit Plan.

AUD/18/13 Tracking of Internal Audit Recommendations

The Committee considered a report on the tracking of outstanding Internal Audit recommendations.

Points and comments included:

- There was no update as there were no new high priority actions had become due in the time since the last meeting.
- Those actions previously reported now had agreed future target implementation date.
- There were fewer high priority actions being shown in the audits arising from Internal Audit work. Therefore, Internal Audit proposed to undertake the routine follow up of all audit recommendation/action plans going forward.
- The Head of Internal Audit and Risk suggested that detailed progress updates on high priority actions should continue and that he introduce at summary level a breakdown of implementation by category.
- The Chairman asked for any suggestions regarding the streamlining or presentation of information to be passed to him so they could be discussed at his forthcoming meeting with the Head of Internal Audit and Risk.

NOTED

the tracking of update report on the tracking of outstanding Internal Audit recommendations.

AUD/18/14.**Work Programme**

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

The Assistant Director Finance requested that the Local Government Pension Scheme update scheduled for consideration on 19 November be deferred until the meeting on 11 March 2019. By that date the transfer of assets to the Border to Coast Pension Partnership Ltd would have taken place (in October) and the half year position would also be available.

The Committee was aware that it had earlier agreed to the submission of an update on LGSS Law to the November meeting (minute AUD/18/6 refers).

RESOLVED

that the proposed Audit Committee work programme, as set out at Appendix A to the report of the Committee Services Officer, be approved subject to the following amendments:

- **19 November 2018 - Defer the Local Government Pension Scheme Update until 11 March 2019.**
- **19 November 2018 – Add the following items:**
 - **Update presentation on LGSS Law Ltd**
 - **Update to Internal Audit Charter**

(Note: The meeting commenced at 10.08 a.m. and concluded at 12.28 p.m.)

Chairman

Dated

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Update on Shared Legal Service

Audit Committee 19 November 2018

Purpose

The Audit Committee received an update on the legal shared service on 30 July 2018 at which a subsequent update was requested on progress against the Service Improvement Plan

This presentation to the Audit Committee summarises the service improvements being implemented and progress against these

Service Issues

Outputs from the annual CBC user survey and subsequent user forum have been used to develop a Service Improvement Plan with LGSS Law to address the following issues:

- Higher than expected staff churn and resulting delays
- Instances of ineffective case handover
- Issues with capacity
- Issues with response times to client requests
- Higher than expected billing queries

It should be noted that many of these were also issues with the old in-house service. However, a key 'value add' for the shared service was to improve on this, which is why these issues are highlighted here.

Improvements and Actions (1)

- LGSS Law to investigate processes to allow the sharing of large documents between LGSS Law and CBC clients quickly and easily to maximise process efficiencies:
Completed- LGSS Law now has controlled access to Box and modern.gov.
- LGSS Law and CBC to refresh the guidance on the CBC intranet relating to instructing work, to improve 'self-help' and quality of instructions : **Work 90% complete on implementing e-forms (to channel all instructions in approved formats to relevant legal team inboxes). Work is also ongoing to complete draft Service Level Agreements for agreement with relevant service heads. New process notes will also be added.**

Improvements and Actions (2)

- LGSS Law to work with client areas to create a prospectus of available training courses for CBC and for this to be published on the intranet : **A prospectus is being formulated and will be shared by end of November.**
- LGSS Law to promote mediation/round table discussions in an attempt to settle cases and to provide written guidance on how/when/why this should be considered: **Implemented - fee earners have been briefed on raising Alternative Dispute Resolution (ADR) where relevant for consideration. The new training prospectus will also provide some opportunities for staff training.**

Improvements and Actions (3)

- LGSS Law to devise additional Finance Management Information on average case costs for benchmarking to ensure continued value for money: **Impacted by LGSS Law staff changes – now owned by Director of Finance & Operations; progress reported at 6 month review (October).**
- LGSS Law to continue recruitment drive to ensure there is sufficient capacity to meet CBC client needs without unnecessary advisor churn: **Ongoing action- priority for new interim Director Legal Practice.**

Improvements and Actions (4)

- End of case survey responses low : Currently registering very high levels of client satisfaction, but sample size is low. Queries raised with low responding service areas have resulted in changes to the case header information to enable busy users to identify the matter – and submit a response – more easily.

Improved Commissioning (1)

Analysis of costs drivers in high value care work has identified:

- Increased volumes
- Increased complexity
- Inefficient internal practices (which require improving)
- ‘Non-value adding’ practices (which require changing/removing)

Improved Commissioning (2)

Examples of inefficient practice includes:

- Incomplete or inconsistent instructions/statements leading to increased lawyer time identifying the key issues
- Delayed collation/submission of supporting evidence for Court Applications requiring repeat reviews before submission

Examples of 'non-value adding' practices include:

- Requesting lawyer attendance at meetings where not necessary
- Utilising paralegals for meeting minutes
- Utilising LGSS Law for redacting documents

Responses

- Training/awareness for relevant professionals on statement writing, and pre action interventions (such as Alternative Dispute Resolution) to avoid costly court proceedings- [available from end November](#)
- Case tracker to keep proceedings on track – [implemented](#)
- Upgraded user guidance including refreshed instructions proforma and e-forms - [implemented](#)
- Updated internal Service Level Agreements with service areas reinforcing responsibilities on both sides- [implemented](#)

VFM and Costs benchmarking

- A key objective of the move to a shared service was to reduce the work being sent to external solicitors due to lack of capacity or capability, to benefit from preferential shareholder rates
- In FY15/16 work sent to external solicitors totalled **c£72k** for Core work and **c£118k** for Non-Core : in FY17/18 this has reduced to **nil** for Core work and **c£37k** for Non- Core
- VFM in the context of Care cases needs to be set against case outcomes – CBC average case duration is **28 weeks** against a National average of **32 weeks**
- Benchmarking against the market is underway in housing transactional work to set fixed fee tariffs to control costs

LGSS Law Company Performance

- New senior management in place and addressing all the issues
- Analysis and monitoring of fee earners' performance significantly enhanced
- Quality of billing and supporting management information much improved
- Outstanding debt being addressed and much reduced
- Dividends to the shareholders still anticipated
- Potential expansion of the business to include other local authorities remains a realistic objective

Summary

- The original business case for sharing legal services set some significant challenges:
 - Initial cost savings achieved (£250k in year 1)
 - Savings in year 2 not met, but not a straightforward comparison as volumes and complexity had increased
 - Ability to attract and retain high calibre lawyers – mixed results to date
 - More legal work being directed through LGSS Law, which is good for the Council as a shareholder
- Staff churn and billing quality issues not anticipated and both have caused additional effort and inefficiency
- However, both have been addressed and significant improvements are underway as outlined in the presentation above
- The Service Improvement Plan is in place and already partially delivered.

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Central Bedfordshire Council

Audit Committee

19 November 2018

External Audit Letter for the Year Ended 31 March 2018

Ernst & Young LLP: Neil Harris,
(NHarris2@uk.ey.com)

This report relates to a decision that is Non-Key

Purpose of this report

The purpose of this report is to set out the key issues arising from the external auditor's work, 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 2018

August 2018

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world

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Focused on your
future



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.psa.co.uk)

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

The 'Terms of Appointment (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.



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Central Bedfordshire Council ['the Council'] following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ 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 body'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
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.

Executive Summary (cont'd)

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 24 July 2018.
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 have not as yet issued our audit completion certificate. We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

In December 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
Associate Partner
For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

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 2017/18 Audit Results Report to the 30 July 2018 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 of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we presented at the 8 January 2018 Audit Committee meeting, as updated in the Audit Progress report presented at the 9 April Audit Committee, 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 2017/18 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 the 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 your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO. We have yet to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

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.



03

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 30 July 2018.

Our detailed findings were reported to the 30 July Audit Committee.

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

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>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.</p>	<p>We considered generic risk factors that could indicate how specific risks of management override manifests itself at the Council, such as the financial position and historic performance against budget. We have also considered the specific additional risks of management override as they relate to local government accounts. Based on our consideration of the key areas susceptible to management override we have concluded that the area that management have the greatest opportunity to override controls is within the following areas:</p> <ul style="list-style-type: none"> • non system accruals where judgements and estimates are made • inappropriate capitalisation of revenue expenditure • Revenue items incorrectly identified as revenue expenditure funding by capital under statute (REFCUS) thus inappropriately funded from capital <p>In addition to the specific audit work above, we performed specific procedures including:</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. <p>Based on our completed audit procedures:</p> <ul style="list-style-type: none"> • We did not identify any evidence of material management override. • We did not identify 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 <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<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>This risk is 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>We carefully considered the revenue and expenditure streams of the Council and considered each against the risk of fraud in revenue and expenditure recognition.</p> <p>We concluded that the risk of material misstatement arising from inappropriate revenue and expenditure recognition manifests itself in 'other service expenses'. Expenditure of £349 million was reported under this heading in 2017/18. It comprises a range of transactions, for example supplies and services and payments to contractors for services such as refuse collection but also items that are individually small and subject to individual invoice arrangements on a short term credit basis. Given the range of transactions included, we have concluded that there is a potential risk of manipulation in terms of recognition of expenditure and have tailored our audit testing to address this risk.</p> <p>To address this risk, we:</p> <ul style="list-style-type: none"> • Disaggregated 'other service expenses' into material expenditure streams and obtained an understanding of the streams to direct testing. • Increased our testing of expenditure through to underlying documentation for reasonableness and business purpose. • Tested the completeness and valuation of expenditure accruals, to gain assurance that there have been no material amounts of expenditure omitted from the financial statements. • Tested expenditure cut-off through our unrecorded liabilities testing to gain assurance that there has been no material amounts of expenditure omitted from the financial statements and that expenditure has been accounted for in the correct period. • Completed our journal entry testing within specific parameters to focus this testing on key risk area. <p>Our testing has not identified any material misstatements from revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Pension liability valuation The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary. As with other councils, accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p>	<p>In our Audit Planning Report, we designated the pension liability valuation as an 'other area of audit focus'. However, following a consideration of the complexity and range of assumptions that contribute to the pensions liability, and the material nature of the sums involved, we have increased this to a significant risk.</p> <p>We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:</p> <ul style="list-style-type: none"> • significant changes in assumptions made by the actuary; and • the assessments of the actuary undertaken by PWC and the EY actuarial team. <p>To address this risk, we:</p> <ul style="list-style-type: none"> • Liaised with the auditors of the Bedfordshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Central Bedfordshire Council; • Assessed 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 NAO for all Local Government sector auditors, and considering the review of this work undertaken by the EY actuarial team; and • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>In calculating the scheme assets as at 31 March 2018, the actuary performs a roll forward technique based on asset data submitted to the by the Pension Fund at 31 December 2017.</p> <p>The reporting from the pension fund auditors highlighted a difference between the market value of the pension fund assets at 31 March 2018 which when apportioned to Central Bedfordshire Council indicates a difference in a range up to £6.6 million for the Council.</p> <p>Due to the size of the difference, we did not seek an adjustment to the account but reported this as an unadjusted misstatement and asked for a representation from management to be included in their letter of representation.</p> <p>There are no other findings from our work.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p>Property, Plant and Equipment</p> <p>Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and/or depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet.</p> <p>As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted.</p>	<p>We designed audit procedures to address this key are of audit focus, including considering the work of the valuer and challenging the assumptions used comparing, where possible, to observable data.</p> <p>We had no matters to report.</p>
<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>The Council has been well placed to meet the demands of the earlier deadline, having produced their financial statements in line with the statutory deadline in previous years.</p> <p>There are areas where the Council can look to improve its arrangements to ensure the audit is completed in a shorter timeframe:</p> <ul style="list-style-type: none">- Identifying additional areas for early substantive testing prior to the final audit visit;- Reviewing how some working papers are presented for audit to facilitate a more efficient execution of audit procedures; and- Reviewing how the team is used to respond to queries so that query response times can be improved.

Financial Statement Audit (cont'd)

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 £12mn (2017: £11.7mn), which is 75% of gross revenue expenditure reported in the accounts.</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	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6mn (2017: £0.558mn)

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
- ▶ Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

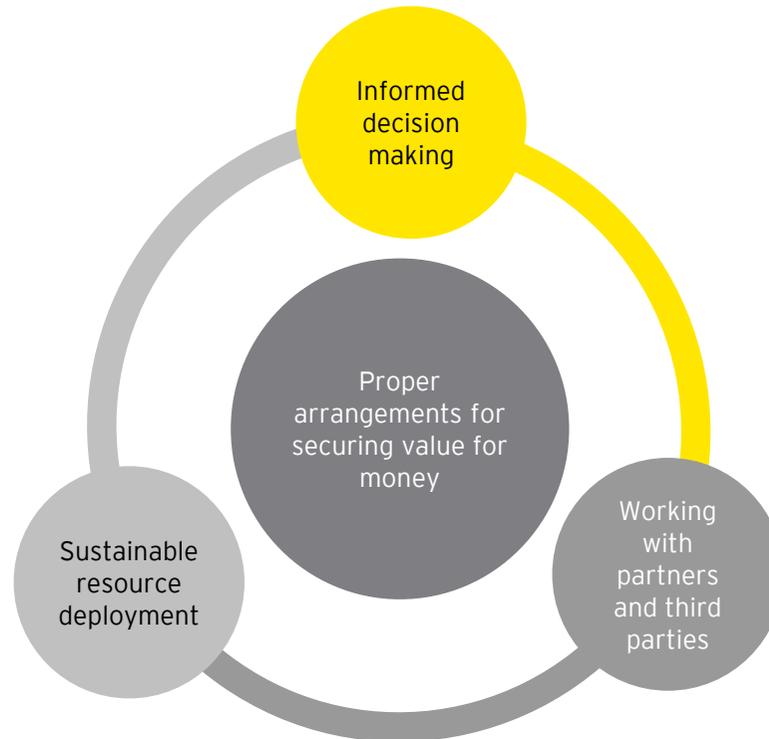


04 Value for Money

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 did not identify any significant risks in relation to these criteria. We issued an unqualified value for money conclusion on 30 July 2018



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We have not yet completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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.

Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2017/18 financial statements from members 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 30 July 2018. 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

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.



06 Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. Where appropriate, the Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

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Central Bedfordshire Council

AUDIT COMMITTEE

19 November 2018

Revisions to Internal Audit Charter

Report of Charles Warboys, Director of Resources

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

Purpose of this report:

This report proposes the adoption of revisions to the Internal Audit Charter in compliance with the Public Sector Internal Audit Standards applied in the UK, based upon international standards which were adopted on 1st April 2013 and most recently revised in April 2017.

RECOMMENDATIONS

The Committee is asked to:

1. Consider and endorse the revisions to the Internal Audit Charter.

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 Audit Committee has a key role in ensuring and maintaining effective corporate governance arrangements within the Council. The Internal Audit Charter provides evidence of such arrangements in respect of the Internal Audit function.
3. Public Sector Internal Audit Standard 1000 requires the Purpose, Authority and Responsibility to be defined in an Audit Charter. In addition, the Internal Audit Charter establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit and Risk's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of audit work and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the Audit Committee.

4. The Audit Committee approved the Internal Audit Charter at its meeting in January 2017, following the April 2016 revision of the Public Sector Internal Auditing Standards.
5. The Public Sector Internal Audit Standards were last revised in April 2017. One area of significant change to the PSIAS is the introduction of a new standard: *1112 Chief Audit Executive Roles beyond Internal Auditing*. If the Head of Internal Audit and Risk (referred to as the chief audit executive in the standards) takes on roles or responsibilities that fall outside of internal auditing, then safeguards must be put in place to limit impairments to independence or objectivity. The Head of Internal Audit and Risk must highlight any actual or perceived impairment to the board or audit committee and safeguards should be considered to protect internal audit independence. The perception of impairment is presumed where the Chief Audit Executive holds responsibilities beyond that role.
6. The Head of Internal Audit and Risk has responsibility for the facilitation of risk management activities and for the Anti-Fraud and Corruption Strategy. The standards do not prohibit this, but rightly emphasise the importance of internal audit independence and the need to ensure it is safeguarded. It is vital that this principle is considered locally, and the Head of Internal Audit and Risk is adequately supported by the Committee to meet professional requirements.
7. In relation to Risk Management, the Head of Internal Audit & Risk is responsible for the overall Risk Management Strategy and for facilitating the reporting process, but has no role in the identification, prioritisation or mitigation of business risks. Furthermore, to protect against perception of conflict, any audit review of Risk Management arrangements will be undertaken by suitable external expertise on a regular basis, in accordance with the risk-based audit plan. These measures are considered by Management to provide adequate safeguards to the risk of potential role conflict. This point has been reflected in the revised Charter at paragraph 5.3.
8. Concerning the Counter fraud role, the Head of Internal Audit & Risk is responsible for the Counter Fraud & Corruption Strategy, fraud awareness activity and investigative work potentially relating to Fraud (not Customer related) and irregularity or whistle blowing referrals agreed with the Monitoring Officer.
9. Investigative work often follows similar review processes applied to standard internal audit engagements that ensures reliance on evidence and impartiality of the auditor along with interest in improving deficient control environments. The Head of Internal Audit and Risk does not have direct managerial responsibility for any of the areas examined in relation to counter fraud activity and the Internal Audit function is separate from the Corporate Fraud function which investigates all potential Customer Fraud. These safeguards are considered by Management to adequately

protect against potential role conflicts in relation to Counter Fraud activity.
This point has been reflected in the revised Charter at paragraph 5.4.

10. The proposed adjustments can be found at **Appendix A** and appear in **bold font and underlined.**

Council Priorities

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

Corporate Implications

Legal Implications

12. None directly from this report.

Financial Implications

13. None directly from this report.

Equalities Implications

14. None directly from this report.

Conclusion and next Steps

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

Appendices

Appendix A - Internal Audit Charter November 2018

Background Papers

None.

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Internal Audit & Risk Internal Audit Charter

November 2018



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Internal Audit Charter

1 Introduction

- 1.1 This Charter defines Internal Audit's purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS). It establishes Internal Audit's position within the Council, including functional reporting relationships with the Audit Committee (referred to in the PSIAS as "the Board"), authority to access records, personnel and physical properties relevant to the performance of the engagements, and defines the scope of the Internal Audit Activity.
- 1.2 The Charter has been agreed with senior management (Corporate Management Team) and was approved by the Audit Committee on 13th January 2014.
- 1.3 The Charter will be subject to periodic review by the Head of Internal Audit and Risk, in consultation with senior management and significant revisions will be presented to the Audit Committee for approval.

2 Statutory Role

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

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

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

3. Purpose

- 3.1 Internal Audit is defined by the PSIAS as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.
- 3.2 In a local authority Internal Audit provides independent and objective assurance to the organisation, its Members, senior management and the Director of Resources. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council’s governance, risk management and internal control systems.
- 3.3 PSIAS articulates the Mission of Internal Audit as” To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.” Within the Council, the overall aim of Internal Audit is:
“To deliver a risk based audit plan in a professional, independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment, and to make recommendations to improve it, that are proportionate and demonstrably add value and support the delivery of the Council’s vision to its customers”.
- 3.4 PSAIS set out 10 core principles that should be present and operating effectively in order that the Mission is achieved. These are set out at Appendix D.
- 3.5 The Terms of Reference of Internal Audit are summarised within the Code of Financial Governance (section 5.4).

4. Responsibilities, Scope and Objectives

- 4.1 Internal Audit and Risk supports the Council in its vision and strategic priorities, which sets the Council’s focus over the coming years.
- 4.2 The Head of Internal Audit and Risk is required to provide an annual opinion to the Council and to the Director of Resources, through the Audit Committee, on the adequacy and the effectiveness of the internal control system for the whole Council and all its operations.
- 4.3 The scope of internal audit as set out in the Constitution, includes reviewing, appraising and reporting on the following:
 - The soundness, adequacy and application of internal controls;
 - The safeguards for council assets and interests from losses of all kinds arising from theft, fraud, waste, extravagance, inefficient management, poor value for money or any other cause;
 - The suitability and reliability of financial and other management data; and
 - Compliance with rules, legislation, policy and procedures.

4.4 In order to deliver this, Internal Audit has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
- To provide a systematic disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes (more details of the nature of this work is set out on Appendix A).
- To provide assurance that significant risks to the Council's objectives are being managed
- To provide advice and support to management to enable an effective control environment to be maintained
- To promote an anti fraud, anti bribery and anti corruption culture within the Council to aid the prevention and detection of fraud, and
- To investigate allegations of fraud, bribery and corruption (with the exception of benefits fraud, which is investigated by the Benefits Team).

4.5 In addition to delivering the agreed audit plan, Internal Audit also carry out special reviews or assignments where requested by management, which fall outside the approved work plan and for which a contingency is included within the audit plan.

4.6 The Head of Internal Audit and Risk cannot be expected to give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control within their area of responsibility. They should ensure that appropriate and adequate control and risk management processes, control systems, accounting records, financial processes and governance arrangements exist without depending on internal audit activity to identify weaknesses.

4.7 The delivery of the Internal Audit Service is in accordance with the Internal Audit Engagement Protocol (previously known as the Internal Audit Charter).

5. Independence and Accountability

5.1 Internal Audit will remain independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.

5.2 The Head of Internal Audit and Risk has direct free and unfettered access and freedom to report in his/her own name and without fear or favour to all officers and members, particularly to those charged with governance (including the Chief Executive and the Chair of the Audit Committee). Accountability for the response to the advice and recommendations of Internal Audit lies with management to either accept and implement the advice or formally reject it. Reviews will be assigned to auditors and rotated between the various audit managers in order to ensure independence in their reviews and maximisation of skills.

- 5.3 **The Head of Internal Audit and Risk has responsibility for facilitation and co-ordination of risk management activity across the Council, but has no role beyond this and remains independent of the implementation of controls to manage risks identified. An independent external audit of the risk management arrangements is carried out on a regular basis in accordance with the risk-based plan.**
- 5.4 **The Head of Internal Audit and Risk has responsibility for the Anti-fraud and Corruption Strategy, but Internal Audit remains independent of the services where counter fraud controls are operating and independent of the Corporate Fraud function who investigate customer related fraud. Additionally, Internal auditors are required to declare any personal interests which may impact on their objectivity and these are factored into audit planning.**
- 5.5 Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee. To maintain independence, any audit staff involved in significant consulting activity will not be directly involved in the audit of that area for at least 12 months, or their involvement will be managed by someone independent of the consultancy activity.

6. Due Professional Care

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

7. Quality Assurance

- 7.1 Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.
- 7.2 A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Internal Audit and Risk is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

7.3 Internal Auditors are expected to:

- Exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity,
- Apply confidentiality as required by law and best practice, and
- Obtain and record sufficient audit evidence to support their findings and recommendations.

7.4 The Head of Internal Audit and Risk develops and maintains a set of performance indicators that are reported to the Director of Resources and the Audit Committee.

8. Reporting

8.1 The UK Public Sector Internal Audit Standards require the Head of Internal Audit and Risk to report at the top of the organisation and this is done in the following way:

8.2 Internal Audit and Risk report their findings in writing to appropriate officers, as agreed in the audit brief, against four assurance opinions (**Substantial**, Adequate, Limited and No Assurance). These are detailed at Appendix C. The Head of Internal Audit and Risk sets standards for reporting and makes arrangements for their review and approval before issue.

8.3 The Head of internal Audit and Risk reports regularly to the Director of Resources and at least three times a year to the Audit Committee on progress against the Annual Audit plan and other issues of concern in respect of the control environment and emerging issues. The Audit Committee meets at least four times a year and has an agreed work plan for the year. In addition, the Head of Internal Audit and Risk produces an Annual Report to the Director of Resources and Audit Committee on the main issues raised by Internal Audit during the year and on the performance of Internal Audit. In particular, the Annual Report:

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

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

9. Internal Audit Resources

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

10. Fraud and Corruption

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

NATURE OF WORK

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

Governance

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

Promoting appropriate ethics and values within the organisation

Ensuring effective organisational performance management and accountability

Communicating risk and control information to appropriate areas of the organisation

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

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

Risk Management

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

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

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

Control

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

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

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

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

APPENDIX B

Public Sector Internal Auditing Standards – Code of Ethics

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

There are four principles in the Code of Ethics:

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

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

APPENDIX C

Audit Opinions

Assurance is work carried out by Internal audit to support the Annual Internal Audit Opinion. The definitions of the opinions given are set out below:

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

APPENDIX D

Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively.

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement

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Central Bedfordshire Council

AUDIT COMMITTEE

19th November 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 October 2018.

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 October 2018.

Strategic Risks

4. This report provides an update on the risks currently contained within the Strategic Risk register. Some risks have been updated with further detail of 'Mitigating Actions Already Underway' and 'Further Action Planned.' The changes are shown in a track changes format on the Risk Register at Appendix B.

Operational Risks

5. Each Directorate has been working towards a Directorate (DMT Level) risk register. DMTs were asked to give consideration to key risks to Directorate level objectives, potentially significant service level risks and

areas of commonality of risk within service areas. This process allows the business to challenge, moderate and prioritise their key risks to arrive at their Directorate Register.

6. This update to the Committee provides a summary position on operational risk based on the priority risks arising from those Directorate registers. See Appendix C. This is the first iteration of this revised risk reporting process and it is expected that further improvement and refinement will be seen in the cycle of quarterly updates.

Council Priorities

7. 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

8. None directly from this report.

Financial Implications

9. None directly from this report.

Equalities Implications

10. None directly from this report.

Conclusion and next Steps

11. 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

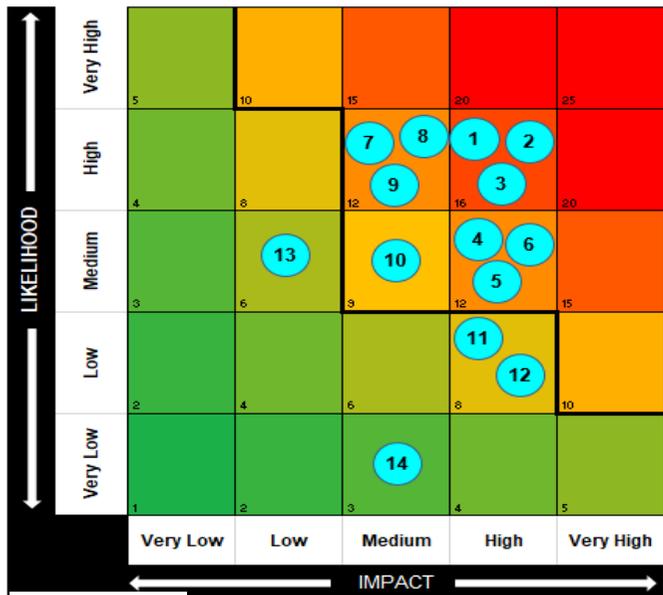
Appendix A – Strategic Risk summary dashboard.
Appendix B – October 2018 Strategic Risk register.
Appendix C - Operational Risk summary dashboard

Background Papers

None.

Strategic Risk Dashboard - October 2018

APPENDIX A



- Key:
- New Risk
 - Current Position
 - Previous Position

Key			2016/17		2017/18		18/19		
#	Reference	Strategic Risk	Dec	Mar	June	Aug	Dec	Mar	Oct
1	STR0035	Failure to deliver major transformation programme within Children's Services.	16	16	16	16	16	16	16
2	STR0032	Unsustainable market for social care.	16	16	16	16	16	16	16
3	STR0027	Failure to adopt a Local Plan and Community Infrastructure Levy (CIL).	16	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,	16	16	16	12	12	12	12
5	STR0009	Fragility / Failure of partners compromising public services and increasing costs to the Council	16	16	12	12	12	12	12
6	STR0036	Failure to deliver social cohesion.	16	16	16	12	12	12	12
7	STR0037	Failure to support vulnerable people and families, which results in higher demand for more intensive services.	12	12	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	12	12
9	STR0040	Political and economic uncertainty arising from UK leaving EU and other significant international events.	12	12	12	12	12	12	12
10	STR0038	Ineffective partnership response to Emergency Planning.	12	9	9	9	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	8	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	8	8	8	8	8	8	8
13	STR0033	The impact of cyber crime.	6	6	6	6	6	6	6
14	STR0041	Failure to enact the changes we seek to move the organisation forward.				3	3	3	3

No change to the Strategic Risks in terms of scores in this update.

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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	March 2018	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). £13.8m savings planned for 2018/19. 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. <ul style="list-style-type: none"> • 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	March 2018	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: <ol style="list-style-type: none"> 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. Roadmaps for core ICT systems are now in place. 2. The IT department is simplifying and modernising the Council's IT Infrastructure and associated services. We are moving away from private, in house networks and data centres to the use of public facilities – WiFi, Internet and shared hosting arrangements. This gives us greater resilience and stability with IT services that are more robust and available. 3. We deploy Mobile Device Management (MDM) technology to manage and secure all end point devices and use the F5 to secure access to our in-house systems.	4	2	8		8	<ol style="list-style-type: none"> 1. Architectural review of core infrastructure ongoing. 2. Continue to explore further opportunities to source expertise from third parties as required. 3. Participate in corporate approach to business continuity planning to minimise impact of IT failure or disruption 4. As we move towards a completely wireless environment, physical cabling is being removed. This will provide greater flexibility for staff and more opportunities for resilience in the event of an outage. 5. Data Centres are under review to ensure compliance and maximum efficiency.

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			
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"> 1. Decisions being made by key statutory partners that could impact adversely on another partner/CBC. 2. Unforeseen/unknown liabilities falling on Central Bedfordshire Council 3. Outcomes not achieved and services delivered to the public are compromised. 4. Greater costs potentially falling on Council, including those arising from: 5. Later than desirable interventions 6. Increased scrutiny e.g. from inspectors 7.Reputational damage 	<ol style="list-style-type: none"> 1. 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) 2. Strategic Transformation Programme and CBC Transformation Board, both chaired by CBC CEO 3. Identification of priorities and their delivery across partnerships e.g. Joint Health and Well Being Strategy, Children and Young People's Plan, 4. Using evidence base to identify areas of greatest need (e.g. Joint Strategic Needs Assessment). 5. Deploy resources and utilise investment opportunities effectively to support partners (e.g. Ivel Medical Centre) to deliver whole community benefits. 6. Develop a multi agency approach, working closer with partners, communities and other stakeholders in a locality model. 7. Good partnership working, including existing and specialist governance arrangements. 8. Better Care Fund governance arrangements & plan, including iBCF funding 9. Encourage consistent application of business-like solutions to addressing issues (e.g. MASH) 10. Transforming Care Plan 11. CCG Budget Recovery Plan 12. Joint Commissioning and Management arrangements e.g. with Community Health Services 	4	3	12	↔	8	<ol style="list-style-type: none"> 1. Delivery of the recommendations from scrutiny enquiry into integration and associated work. 2. Contribution to the Bedfordshire, Luton and Milton Keynes (BLMK) sustainability and transformation plan (STP). 3. Further work on the implementation of Care and Health hubs.
STR0013	Stephan Conaway	Sean Dykes	March 2018	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"> 1.Ongoing implementation of an action plan for recommended improvements. 2.Review and redefine the terms of reference for the Information Assurance Group. 3.Initiated update of retention schedules Council wide to meet legislative/operational retention requirements. 4.Information Asset Owners training is being refreshed 5.Monitoring of staff participation is now included as a standard agenda item for Information Assurance Group. 6.ICO Self assessment for GDPR readiness undertaken and working group established to drive forward 	4	2	8	↔	6	<ol style="list-style-type: none"> 1. Implementation of Corporate wide Data Protection training as well as improved corporate monitoring and actions to improve compliance rates. 2. A review of information gathered through the PSN code of connection on the Council's holdings, which identifies information owners. 3. Working group to work towards addressing gaps identified in Self Assessment before May 2018. 4. Regular updates fed to Information Security Manager on GDPR module uptake - response and feedback have been generally good. 	
STR0027	Jason Longhurst	Jason Longhurst	Oct 2018	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"> 1. Financial loss 2. Infrastructure, housing and employment requirements not delivered 3. Reputational loss 4.Speculative Development 	<ol style="list-style-type: none"> 1.Project Board established PID approved for delivery. 2.Awaiting advice sought from DCLG on risks of proceeding in absence of an up-to-date Local Plan 3.Draft (Regulation 18) Plan to be published May/June 17 July 17 2. Counsel advice to be sought in relation to submission documents. 3.Draft (Regulation 18) Plan to be published 4th July/29th Aug 2017 4. Project Plan and Risk Register in operation. 5. Draft (Regulation 19) Plan Published Jan 11th/Feb 22nd 2018 6. Submission of plan to Government Inspector in line with maintaining housing numbers 30th April 2018 7. Information sent to the Inspector in a timely manner to ensure the inspector is fully briefed on any issues prior to proposed hearings. Proposed hearings Spring 2019 	4	4	16	↔	8	<ol style="list-style-type: none"> 1. Plan is in its Pre-Submission (regulation 19) consultation until 22nd February 2018. Challenging timetable for submission to the Secretary of State on 28th March 2018, to retain lower housing need figures. 2. Adopt Local Plan April 2018 1. Plan submitted to Secretary of State on 30th April 2018 2. Examination Hearing Sessions expected to commence late 2018. 3. Plan to be adopted by Council in spring 2019.
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

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			
STR0033	Stephan Conaway	Stephan Conaway	March 2018	4	3	12	ICT/Data Management	The impact of cyber crime.	The impact of cyber crime.	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	1. Member of Cyber Security Sharing Protocol (gov.) who provide advice on reducing risk of cyber crime and undertake periodic audits to monitor our performance. We continue to work with Hytec security specialists to ensure that our systems and policies are fully secure and compliant. 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 and implemented. 11. Policy for privileged user access developed and implemented.	2	3	6	↔	6	1. Single Sign On, through OKTA, has been rolled out across the organisation. This is supported by secure Authentication process. OKTA is fully compliant with PSN recommendations. 2. Information security training is ongoing with all staff and Members required to undertake mandatory online information security training. 3. We deploy Mobile Device Management (MDM) technology to manage and secure all end point devices and use the F5 to secure access to our in-house systems.
STR0035	Sue Harrison	Sue Harrison	March 2018	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).	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.	1. Established a monthly Children's Leadership board (multi-agency) 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, Shaping the future Educational Landscape project) 4. Established a monthly performance, finance and transformation meeting 5. Developing a Strategic Plan to ensure we have sufficient school places for the next 15 years. 6. Established a monthly Children's and Young Person's Board 7. Additional budget monitoring is planned. 8. Vigorous self evaluation programme within Children's Services 9. Regular monitoring by CMT 10. Regular reporting to Overview and Scrutiny 11. All Social Care and Early help teams are integrated in localities and preparing for next stage of integration with partner agencies	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	March 2018	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	1. Inequity 2. Enhanced deprivation 3. Social isolation 4. Pockets of extreme vulnerability (including. Modern day slavery) 5. Anti- social behaviour 6. Vigilante activity	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 Billington site now agreed by Executive. 5. Review of the terms of reference for the 4 Joint Committees 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 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 / CL 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 and 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	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. Adoption of sound Local Plan 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. 9. Updated CTLP now being reviewed to identify actions needed in CBs 10. Billington project has agreement for way forward

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			
STR0037	Julie Ogley/Sue Harrison	Julie Ogley/Sue Harrison	March 2018	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. 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 CS: 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. The early help offer has been integrated with social care in five localities and every GP, School, Nursery and Pharmacy is provided with a named social worker. 11. Childrens Services 'One Family, One Plan' approach supports vulnerable people to better parent their children. 12. Introducing an Inspiring families programme. A 10-week commissioned service that delivers a family led approach to tackling domestic abuse (works with both perpetrator and victim). 13. 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. 14. Establishing a multi-agency Domestic Abuse Panel in Dunstable that receives referrals and provides a multi-agency response. 	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	Oct 2018	4	4	16	Partnerships	Ineffective partnership response to emergency planning.	<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. <u>Lack of CBC staff responding to training events – knock on impact to quality of response and responder confidence and poor availability by Tactical Commanders during incidents – impact on response (sustaining a long response or multiple incidents with limited numbers of commanders, fatigue etc.) and potential knock on reputational impacts;</u></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 & Luton Local Resilience Forum (BLRF) Work is still ongoing to review the way the forum works, but this is now mainly administration arrangements that are being streamlined and improved. (Review completed but there has been an inability to recruit to the BLRF Administrators post for a considerable amount of time.) 4. Representation on Business Continuity Awareness Group (part of BLRF) 5. Guidance on schools resilience on schools portal 6. BLRF administration posts now filled (pending references), the Management Framework has been revised and adopted, Vision updated. New measureable outcomes have been developed and consulted on and will be presented at the next Executive Group, and this is due to be undertaken by Executive following their visioning session. Attendees have all been identified for the different groups. Budgets have been monitored £12k (Reserves stand at £76k) will be put into reserves, subscriptions will remain at 17/18 levels. All plans now have named leads following changes of staff in partner organisations. The issue of attendance at Support Group will be raised with the Support Group Chair as there are issues with the seniority of 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	<ol style="list-style-type: none"> 1. Finalise Business continuity plans 2. Work will be undertaken in April 2018 to refresh partners understanding of the value of and commitment to BLRF 3. 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.
STR0039	Julie Ogley	Julie Ogley	Aug 2017	3	5	15	Financial/Economic	Inability to deliver accommodation for vulnerable and homeless people	<p>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.</p> <p>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.</p>	<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	

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				
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; 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.	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	March 2018	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.	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.	Taking on board feedback from an SMG Task Group and another officer group designed to address efficiency, CMT have established a programme of priority projects for delivery over the next 12 – 18mths, in relation to the Council's strategic objectives. These include a number of initiatives relating to the enhancement of place (through quadrant delivery plans) and organisational development goals relating to digitisation, delivery of the medium term financial plan and other efficiency initiatives relating to support function reviews, customer pathway mapping and getting basics right.	3	1	3		↔	3	The necessary conditions for the successful delivery of these priorities are being assessed and a delivery steering group established to: Determine best practice programme management model Establish overarching programme and individual workstream infrastructure Recommend governance structure for effective decision making (escalation and delegation) Review performance monitoring regime so that priorities are the focus

Key:

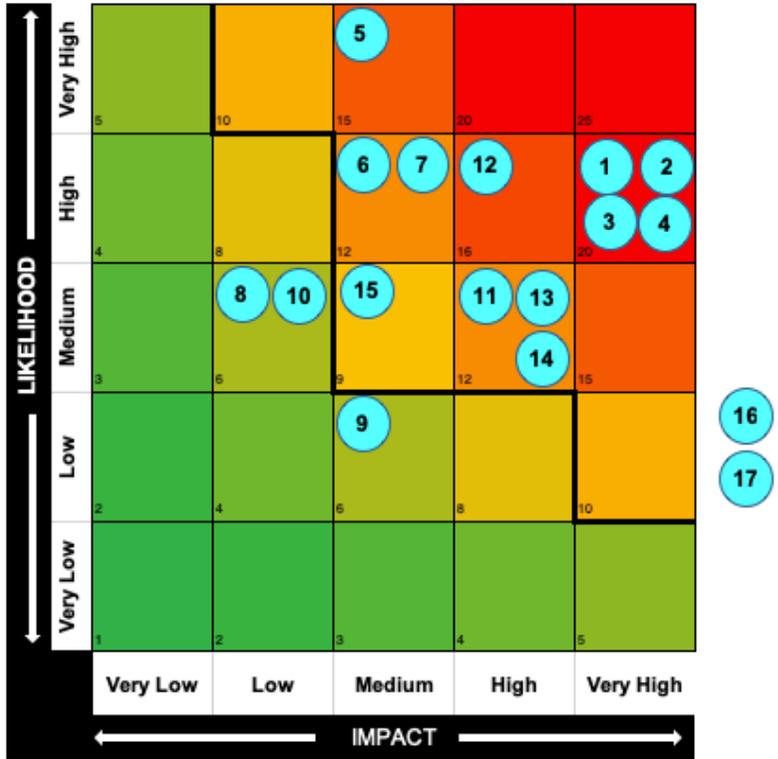
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Risk Removed from Strategic Risk Register

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APPENDIX C



Key			2018/19
#	Reference	Operational Risk	Oct
1	CS001	Schools for the Future Programme delayed or full benefits not achieved	20
2	CS002	SEND action plan not implemented on time	20
3	CS003	SEND budget overspend	20
4	CS004	High Needs block overspend	20
5	Com005	Failure to requirements of Corporate Health & Safety Policy	15
6	Com006	Future waste disposal contracts not in place	12
7	Com007	Future Waste Collection and Street cleansing contracts not in place	12
8	PH001	Nicotine Replacement Therapy unaccounted for	6
9	PH002	Drug & Alcohol Services don't work effectively	6
10	PH003	Increasing cost of buprenorphine (used to treat dependence/addiction to opioids)	6
11	RB001	Failure to secure strategic Infrastructure for Oxford to MK Corridor	12
12	RB002	Funding issues and delays to the M1 A6 Link Road	12
13	Res001	Loss of key systems for Revs & Bens.	12
14	Res002	SAP S/4 Hana not implemented as planned	12
15	SCHH001	Increasing homelessness	9
16	SCHH002	Fragility & sustainability of social care market	
17	SCHH003	inability to retain key staff or fill key roles within SCHH	

Risk Scoring Likelihood

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

Risk Scoring (Impact)

		FINANCE	COMPLIANCE	SAFETY	SERVICE DELIVERY	REPUTATION
1	VERY LOW	Minor loss < £10k	Trivial, very short-term single non-compliance	Insignificant injury (no intervention)	Negligible impact/ unnoticed by service users	Insignificant damage
2	LOW	Small loss < £100k	Small, single, short-term non-compliance	Minor injury (local intervention)	Small impact/ small inconvenience	Minor or very short-term damage
3	MEDIUM	Moderate loss < £500k	Sustained single or a few short-term non-compliances	Moderate injury (professional intervention)	Medium level impact/ moderate inconvenience	Moderate or short-to medium-term damage
4	HIGH	Significant loss < £1M	Multiple sustained non-compliances	Major injury (hospital stay)	Significant impact/ serious inconvenience	Major or medium-to long-term damage
5	VERY HIGH	Substantial loss > £1M	Multiple, long-term, significant non-compliances	Fatal injury	Substantial/ Complete service failure	Substantial or sustained damage

Central Bedfordshire Council

AUDIT COMMITTEE

19th November 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 2018/19.

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 2018-19 Internal Audit Plan in April 2018. This report provides an update on progress made against the plan up to the end of 26th October 2018.

Progress on the 2018/19 Audit Plan

Fundamental System Audits

5. The approach taken last year on the Fundamental audits is largely continued this year with detailed substantive testing undertaken on a prioritised risk basis. Any recommendations made in previous years will also be followed up. Three reviews are solely walk through testing on the material workflows to verify key controls as previously documented. Most of these are now in progress and nearing completion.

Other Audit Work

6. Internal Audit continues to be engaged in key projects and will have an ongoing advisory role in the SAP S4 Hana work that is working towards implementation for the next financial year. Work also continues to be undertaken on grant certification.
7. In addition to the Fundamental System audit reviews the following audits have been completed since the last update:
 - School Transport (Final Report – Limited Assurance)
 - School Build Commissioning (Final Report – Adequate Assurance)
 - SAP Access and Security (Final Report – Adequate Assurance)
 - Beaudesert Lower School (Final Report – Adequate Assurance)
 - Ethics – Declarations of Interests, Gifts & Hospitality (Final Report – Adequate Assurance)
 - Joint Procurement Arrangements (Final Report – Adequate)
 - ICT Customer Service – Problem Resolution (Draft Report – Adequate)
8. 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

9. Arrangements have been made for 13 Lower Schools to be reviewed before the end of the financial year.

Performance Management

10. The status of the current audit plan is shown on Appendix A.

11. 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 2018 – 26th October 2018

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	46%	45%	76%	80%
KPI02	Percentage of the number of planned reviews completed.	35%	45%	72%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	68%	75%	79%	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.	59%	80%	71%	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.	82%	80%	93%	80%
KPI06	Overall customer satisfaction.	86%	80%	91%	80%

12. Analysis of indicators:

- KPI01 - As at the 26th October, Internal Audit has delivered a total of 578 productive audit days, which is 46% of the total 1260 planned days for the year.
- KPI02 - This KPI measures planned work completed and currently 35% of the plan is complete, which includes from the finalisation of work in progress at the start of the year.
- KPI03 - 68% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance.
- KPI04 - This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. So far this year 59% of draft reports were responded to within the target set.
- KPI05 - This indicator measures the percentage of final reports issued by Internal Audit within ten working days of receipt of agreed response from the auditee, currently 82%.
- KPI06 – A 'satisfactory' response to all questions would provide an average score of 75%.
17 responses have been received for customer satisfaction surveys over the last 12 months and all have been either satisfied or very satisfied with an average score of 86%.

Council Priorities

13. 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

14. None directly from this report.

Financial Implications

15. 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

16. None directly from this report.

Conclusion and next Steps

17. 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.

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

Appendices

19. Appendix A – Progress on Audit Activity

Background Papers

20. None.

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Priority	Audit Title	2018/19 Days	Risk	Position as at June 30th	Opinion
Audits in Progress at Year End					
Fundamental	Accounts Payable-Purchase Ledger (including feeder systems)		STR0001	Complete	Adequate
Fundamental	Payroll		STR0001	Complete	Adequate
Fundamental	SWIFT Financials - Key Control walk throughs		STR0001	Complete	
High	Academy of Central Bedfordshire		Consultancy	Complete	
Low	Democratic Governance		Governance/Operational	Complete	Adequate
Medium	Review of Public Health Contributions to other Directorates		Governance/Operational	Complete	Adequate
Medium	Chiltern School		Governance/Operational	Complete	Adequate
High	Cyber Security		STR0008/STR00033	Complete	Limited
Medium	European Regional Development Fund - Procurement 17-18		Operational	Complete	Adequate
Medium	Clipstone Brook Lower		Governance/Operational	Complete	Adequate
Medium	Swallowfield Lower		Governance/Operational	Complete	Limited
Medium	Pulford Lower		Governance/Operational	Complete	Adequate
High	Treasury Management		STR0001	Complete	Adequate
Low	Ethics - Declarations of Interests, Gifts and Hospitality - Officers		Governance	Complete	Adequate
Medium	Joint Procurement Arrangements		STR009	Complete	Adequate
Medium	Beaundesert Lower		Governance/Operational	Complete	Adequate
High	SAP Access and Security		STR0008/STR00033	Complete	Limited
Medium	Houghton Regis Lower		Governance/Operational	Draft Report	Limited*

120

Fundamental Systems					
Fundamental	Accounts Payable/Purchase Ledger (including feeder systems)	35	STR0001	Field Work Started	
Fundamental	Accounts Receivable/Sales Ledger	30	STR0001	Field Work Started	
Fundamental	Main Accounting Systems (MAS)	30	STR0001	Field Work Started	
Fundamental	Cash And Banking (Non Invoiced Income)	20	STR0001	Cancelled	
Fundamental	Housing Benefits - Key Control walk throughs	10	STR0001	Field Work Started	
Fundamental	Council Tax - Key Control walk throughs	10	STR0001	Complete	
Fundamental	Non Domestic Rates (NDR)	35	STR0001	Field Work Started	
Fundamental	Payroll	35	STR0001	Field Work Started	
Fundamental	SWIFT Financials - Key Control Walk throughs	5	STR0001		
Fundamental	Housing Rents including tenant arrears	25	STR0001	Field Work Started	

Assurance Audits - Corporate					
Medium	Data Quality	15	STR0013	Field Work Started	
Medium	Information Governance	20	STR0013		
Medium	Ethical Governance	20	Governance		
Medium	Corporate Governance Reviews	15	Governance		
Medium	Contracts Management	25	Governance	Field Work Started	
Medium	Partnership Governance	15	Governance/STR0009		
Medium	Risk Management	0	Governance	Scoping	

Assurance Audits - Resources					
Medium	Budgetary Control	15	STR0001		
Medium	Debt Management Arrangements	15	STR0001	Cancelled	
Medium	Capital Programme	15	STR0001	Field Work Complete	
Medium	Learning & Development Centralisation	15	Operational	Field Work Started	

Priority	Audit Title	2018/19 Days Risk	Position as at June 30th	Opinion
Assurance Audits - Children's Services				
Medium	Schools General - School Improvement	70: Governance/Operational	Scoping	
Medium	School Build Commissioning	15: Operational	Complete	Adequate
Low	Children's Homes Facilities Mgmt	10: Operational		
Medium	School themed review - Schools Financial Regulations	15: Operational	Field Work Started	
Assurance Audits - Social Care, Health and Housing				
Medium	Homelessness	15: STR0039	Field Work Started	
Medium	Procurement	15: Fraud / Operational	Field Work Complete	
Low	HMO Licensing	10: STR0039		
Medium	Direct Payments	15: STR0037 / Operational		
Assurance Audits - Community Services				
Medium	Section 38 Agreements	10: STR0001 / Operational	Field Work Started	
Medium	Highways - assurance on client assurance arrangements	15: STR0001	Field Work Started	
Medium	School Transport	15: STR0001	Complete	Limited
IT Reviews				
Fundamental	IT Disaster Recovery	15: STR0008	Scoping	
Low	IT Customer Service - Problem Resolution	15: STR0008	Draft Report	Adequate*
Medium	ICT audits (ICT Plan below)	50: STR0008/STR00033		
Medium	PCI (Payment Card Industry) DSS Compliance		Scoping	
Medium	Mosaic (CCMS) Application Security			
Medium	Storage, Hypervisors & Hosts 1819			
Assurance Audits - Regeneration and Business Support				
Medium	S106 Follow-up	10: Operational	Scoping	
Medium	Albion Archaeology	12: Operational		
Low	Broadband Project	10: Project Governance / Operational	Field Work Started	
Assurance Audits - Public Health				
Medium	Public Health compliance with best practice	15: Operational		
Special Investigations				
Medium	National Fraud Initiative (NFI)	20: Fraud	Ongoing throughout year	
Medium	Special Investigations	40: Fraud	Ongoing throughout year	
Low	Highest risks resulting from Annual Fraud Risk Assessment	30: Fraud		
Ad Hoc Consultancy etc.				
Fundamental	Risk Management Activities	35: All Risk	Ongoing throughout year	
Medium	Major projects - Consultancy	80: Governance	Ongoing throughout year	
Medium	Supporting Annual Governance Statement	6: Governance	Ongoing throughout year	
Medium	Audit of Individual Grants	20: STR0001	Ongoing throughout year	
Medium	General Advice	20:	Ongoing throughout year	
Medium	Head of Audit Chargeable Against Plan	60:	Ongoing throughout year	
Medium	Assurance Mapping Review	5:	Ongoing throughout year	
Low	Benchmarking Exercise	5:	Ongoing throughout year	
Medium	General Fraud Awareness	5:	Ongoing throughout year	
Medium	Fraud Investigations Procedure Manual	6:	Ongoing throughout year	
Low	IDEA development	6:	Ongoing throughout year	
Medium	Contingency	65:	Ongoing throughout year	

Central Bedfordshire Council

Audit Committee

19 November 2018

Work Programme

Responsible Director: Charles Warboys,
(charles.warboys@centralbedfordshire.gov.uk)

This report relates to a decision that is Non-Key

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

The Committee is asked to:

- 1. Consider and approve the proposed work programme attached at Appendix A to this report.**

Background

1. 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.
2. Additional items will be identified as the municipal year progresses. The work programme is therefore subject to change.

Council Priorities

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

Corporate Implications

Legal Implications

4. There are no legal implications.

Financial and Risk Implications

5. There are no financial and risk implications.

Equalities Implications

6. 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.
7. 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

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

Appendices

Appendix A – Audit Committee Work Programme

Background Papers

None

Report author: Leslie Manning

Committee Services Officer

leslie.manning@centralbedfordshire.gov.uk

Audit Committee Work Programme

2018/19 Municipal Year	
30 May 2018	<ul style="list-style-type: none"> • CBC Unaudited Statement of Accounts 2017/18 (presentation) (CW/DG) • Annual Governance Statement 2017/18 (SR) • 2017/18 Internal Audit Annual Audit Opinion (CH) • Northamptonshire CC Best Value Inspection – Summary of Findings etc (presentation and report) (DG) • Work Programme (LM)
30 July 2018	<ul style="list-style-type: none"> • Presentation on LGSS Law Ltd (CW) • External Audit Results Report 2017/18 (NH) • CBC Audited Statement of Accounts 2017/18 (CW/DG) • Annual Audit and Certification Fees 2018/19 (NH) • Annual Counter Fraud Update (GM) • Local Government Pension Scheme Update (DG) • Tracking of Internal Audit Recommendations (CH) • Internal Audit Progress Report (CH) • Work Programme (LM)
19 November 2018	<ul style="list-style-type: none"> • Presentation on LGSS Law Ltd (CW) • Annual Audit Letter for the Year ended 31 March 2018 (NH) • Update to Internal Audit Charter (CH) • Risk Update Report (CH) • Internal Audit Progress Report (CH) • Work Programme (LM)
11 March 2019	<ul style="list-style-type: none"> • Certification of Claims and Returns Annual Report 2017/18 (NH) • External Audit Progress Report (NH) • Audit Planning Report (NH) • Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments (GM) • Local Government Pension Scheme Update (DG) • Statement of Accounts 2018/19 (SP) • Risk Update Report (CH) • Tracking of Internal Audit Recommendations (CH) • Internal Audit Progress Report (CH) • Work Programme (LM)

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