

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** 28 February 2019

## **NOTICE OF MEETING**

### **AUDIT COMMITTEE**

Date & Time

**Monday, 11 March 2019 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 19 November 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 the Constitution.

### Reports

**Item      Subject**

7. **Certification of Claims and Returns Annual Report 2017/18**

To receive a report from Ernst & Young LLP summarising the results of the external auditor's work on Central Bedfordshire Council's 2017/18 housing benefit subsidy claim and other returns as appropriate.

8. **External Audit Planning Report**

To consider a report from Ernst & Young LLP which provides the Audit Committee with a basis to review the company's proposed audit approach and scope for the 2018/19 audit and ensure that the audit is aligned with the Committee's service expectations.

9. **Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Tax Support Assessments**

To consider an update on the operation of the current Risk Based Verification (RBV) Policy and seek approval for the proposed Policy for 2019/20.

10. **Local Government Pension Scheme Update**

To consider an update on the performance and governance of the Local Government Pension Scheme (LGPS).

11. **Statement of Accounts 2018/19**

To consider an outline of the key changes required to the Council's statutory Statement of Accounts for 2018/19.

12. **Corporate Risk Management Review**

To consider an update on the findings of a recent review undertaken by Zurich Municipal of the corporate Risk Management arrangements and the resultant action plan to address the recommendations.

13. **Risk Update Report**

To consider an overview of the Council's risk position as at February 2019.

14. **Tracking of Internal Audit High Priority Recommendations/Agreed Actions**

To consider a summary of the high priority recommendations/Agreed actions arising from Internal Audit reports and the progress made in their implementation.

15. **Internal Audit Progress Report**

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

16. **Work Programme**

To consider the Audit Committee work programme.

**Exempt Appendix**

<i>Item</i>	<i>Subject</i>	<i>Exempt Para.</i>
17.	<b>Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Tax Support Assessments</b>	* 7

To consider an update on the operation of the current Risk Based Verification (RBV) Policy and seek approval for the proposed Policy for 2019/20.

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## CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Council Chamber, Priory House, Monks Walk, Shefford on Monday, 19 November 2018

### PRESENT

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

Cllrs N B Costin  
P Downing  
R Morris

Cllrs D Shelvey  
A Zerny

Members in Attendance: Cllrs K M Collins  
F Firth  
Mrs S A Goodchild  
Mrs J G Lawrence  
M A G Versallion

Officers in Attendance: Mr D Galvin Assistant Director of Finance  
Mr C Horne Head of Internal Audit and Risk  
Mr L Manning Committee Services Officer  
Mr C Rushworth Legal Services Business Manager  
Mr C Warboys Director of Resources

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

### AUD/18/15 Minutes

#### RESOLVED

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

### AUD/18/16 Members' Interests

None.

### AUD/18/17 Chairman's Announcements and Communications

The Chairman asked Members to silence their mobile telephones. He then welcomed those Members attending the meeting in order to see the presentation on LGSS Law.

The Chairman advised that he had recently been appointed to the Bedfordshire Pension Board and had attended the 'Boarder to Coast' conference in that capacity.

#### **AUD/18/18 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/18/19 Questions, Statements or Deputations**

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

#### **AUD/18/20 Annual Audit Letter for the Year Ended 31 March 2018**

The Committee considered a report from Ernst & Young LLP which presented the Annual Audit Letter for the year ended 31 March 2018. The letter set out the key issues arising from the company's work as the Council's external auditor.

The Ernst & Young Manager advised of an error on page 15 of the Letter. Under planning materiality she stated that '75% of gross revenue expenditure' should read a '2% of gross revenue expenditure'. She then thanked the Council's officers for their assistance.

#### **RECEIVED**

**the 2017/18 Annual Audit Letter.**

#### **AUD/18/21 Presentation on LGSS Law Ltd**

The Committee received a presentation on LGSS Law Ltd. The presentation summarised the service improvements being implemented and the progress made against the Service Improvement Plan (SIP). The Director of Resources introduced the presentation following which he, assisted by the Legal Services Business Manager, responded to a range of comments and questions raised by Members relating to the company. Amongst the topics covered were the following:

- The use of locums or interim staff for infrequent work of a highly specialist nature and its relatively low cost to the Council.
- The action taken to improve the completion of client satisfaction surveys by staff, the wider value to the Council of the surveys, ways of achieving a more accurate feedback and the suggested viewing of the survey responses by the Committee.

- The suggested seeking of Members' views of their experience of using the company.
- Employee turnover, the possible reasons for the 'churn' and the measures taken to mitigate against the impact.
- The monitoring of the company's financial position with especial reference to the financial circumstances of other council shareholders, the level of related risk and any action being taken to reduce this.
- The purpose of the recruitment drive as a means of reviewing employee skillsets, both current and required for the long term on a permanent basis, rather than a means to fill vacancies.
- Value for money, the reasons for any overspend, the current overspend figure and the largest source of the substantial reduction in the overspend which had taken place in the current financial year.
- The time taken to process children's social care cases by the company and the reasons why any cases took longer than the national average.

The Chairman commented that progress had been made and processes were being put in place to ensure it continued. He thanked the Director for his presentation and the Business Manager for his support. The Chairman stated that he did not think a further update was required by the Committee at its next meeting as he felt matters should be allowed to work through. Unless, therefore, any issues arose he favoured a break of six months before the next update was submitted.

#### **NOTED**

**the presentation on LGSS Law Ltd.**

#### **RESOLVED**

**that the next LGSS update presentation take place at the meeting of the Audit Committee on 29 May 2019 unless required earlier.**

**THE COMMITTEE ADJOURNED AT 11.25 A.M. AND RECONVENED AT 11.29 A.M.**

#### **AUD/18/22 Revisions to Internal Audit Charter**

The Committee considered a report setting out proposed revisions to the Internal Audit Charter in compliance with the Public Sector Internal Audit Standards (PSIAS) applied in the United Kingdom. The proposed revisions were included and highlighted in the copy of the Charter attached at Appendix A to the report.

Points and comments included:

- The PSIAS had last been revised in April 2017 and one area of significant change was the introduction of 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 PSIAS) took on roles or responsibilities that fell outside

internal auditing then safeguards were required to limit any impairments to the officer's independence or objectivity.

- The Head of Internal Audit and Risk was required to highlight any actual or perceived impairments to the Audit Committee (referred to as 'the Board' in the PSIAS) and consider the safeguards required to protect internal audit independence.
- Whilst the Council's Head of Internal Audit and Risk had responsibility for the facilitation of risk management activities and for the Anti-Fraud and Corruption Strategy he had no operational involvement in either. Further, and to supplement the existing safeguards, external auditors would undertake the internal audit of the risk management arrangements within the Council.
- It was noted that in paragraph 8.2 of the Charter that the term 'Substantial' had replaced 'Full' as one of the four assurance provisions because Full was a difficult standard to achieve.

## **RESOLVED**

- 1 that the proposed revisions to the Internal Audit Charter, as highlighted in Appendix A to the report of the Director of Resources, be endorsed;**
- 2 that the end of paragraph 4.7 be amended by deleting 'Engagement Protocol (previously known as the Internal Audit Charter)' and inserting 'Charter'.**

## **AUD/18/23 Risk Update Report**

The Committee considered a report which provided an overview of the Council's risk position as at October 2018.

Points and comments included:

- At Appendix B to the report some strategic risks had been updated with further detail regarding 'Mitigating Actions Already Underway' and 'Further Action Planned'. There were no significant changes with regard to the scoring of those risks.
- With regard to operational risks, Appendix C represented the first iteration of a revised risk reporting process based on the priority risks arising from Directorate registers.
- A Member commented that the top three strategic risks had held this position for over a year and asked if this risk level could have been expected to fall as a result of the mitigation measures being taken. The Head of Internal Audit and Risk responded that a significant review of strategic risk was planned for early January 2019 and he expected relevant information to come forward at that point.
- The possibility of the relevant Scrutiny Committees being requested to seek information from Directors on what mitigation measures they were taking was suggested. The Chairman reminded the meeting that the Audit Committee could ask officers to attend and answer questions. The

Director of Resources stated that the Audit Committee was responsible for the Risk Management function. Whilst a particular risk could be referred to a Scrutiny Committee he felt that asking a Director to attend the Audit Committee was a better way forward if an issue such as mitigation was not being addressed. He added that the January review should address Members' concerns but, if it did not, then the Committee could request a Director's attendance. Members concurred with this approach.

- The Vice-Chairman referred to the risk, which was not referred to in the report, that the utility companies would be unable to supply essential services required under the Council's regeneration programme and the detrimental impact this would have. He queried whether this issue had been investigated. The Chairman indicated that this point should be referred to the Council's Regeneration team. A Member commented that the Committee's earlier discussion above on the calling of a Director to attend the Committee was also applicable in this situation.

## **NOTED**

### **Central Bedfordshire Council's risk position as at October 2018.**

#### **AUD/18/24 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 26 October 2018.

Points and comments included:

- The Limited Assurance outcome arising from the audit on School Transport had arisen because at least 3-4 administrative areas required improvement. The Chairman commented that the issues relating to school transport provision did not appear to be solely the result of external market forces.
- Members were aware of issues regarding school transport provision in their own areas and welcomed the work that was being undertaken on this matter.
- Audit Plan preparation involved engagement with a wide range of stakeholders. There were some areas where the Audit team were being asked for input and priority was assigned to the work. Given workload pressures it was probable that some of the Audit Titles (projects) ranked as Low on the list in Appendix A to the officer's report would not be delivered. Given this response the Chairman expressed the hope that a 'triage' policy would not be adopted as was found in some other public services.

## **NOTED**

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

## AUD/18/25. **Work Programme**

Members considered a report which set out the Committee's work programme for the remainder of the 2018/19 municipal year.

The Chairman explained that an attempt had been made to not only schedule the Committee's meetings in response to the new national auditing system but to match the work programme content to meet its demands. In addition the work programme had also attempted to ensure that the Committee received regular reports on various audit related issues so that Members could consider whether the related strategies and policies were functioning correctly.

The Chairman reminded Members to suggest that the Committee occasionally call on officers to report to it on issues that were not scheduled in the work programme. He viewed this as the Committee's duty.

### **RESOLVED**

**that the proposed Audit Committee work programme for the remainder of the 2018/19 municipal year, as set out at Appendix A to the report of the Committee Services Officer, be approved.**

(Note: The meeting commenced at 10.08 a.m. and concluded at 11.47 a.m..)

Chairman .....

Dated .....

# Certification of claims and returns annual report 2017-18

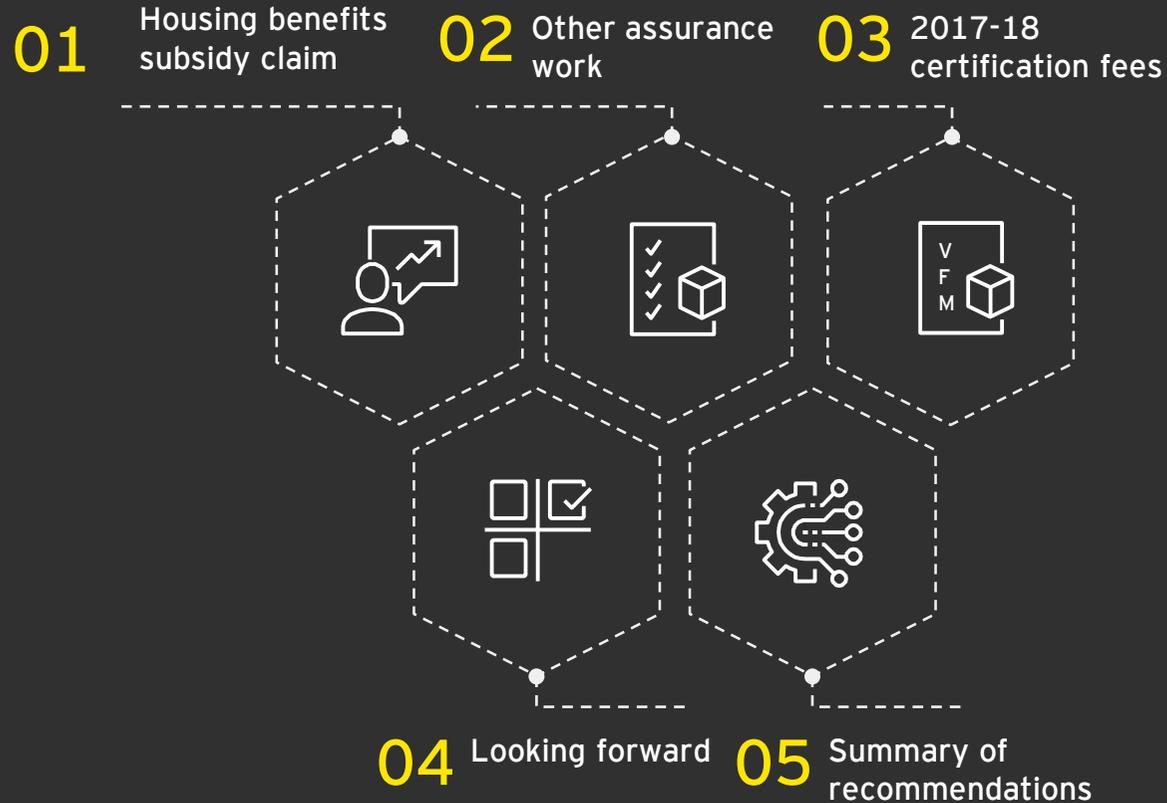
February 2019

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

Item 7  
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Central Bedfordshire Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Central Bedfordshire Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of Central Bedfordshire Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01

# Housing benefits subsidy claim



## Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£57,235,414
Amended/Not amended	Amended - subsidy reduced by £9
Qualification letter	Yes
Fee - 2017-18	£26,910
Fee - 2016-17	£24,908

Recommendations from 2016-17	Findings in 2017-18
Given the Council has not yet seen a sustained improvement in accuracy levels, it should continue with its targeted quality control processes.	Every effort is made to minimise errors entering the system through robust and sustained checking, as per the details provided in this report, and that the further increase in digitisation and automation should significantly impact on re-keying errors. Where issues are identified, either through the annual audit or through checking, targeted checking will be undertaken (whether at a 100% level or on a randomised basis) to reduce recurrence of error.

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

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

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

- ▶ benefit being awarded from the wrong date leading to an overpayment of benefit;
- ▶ overpayments being misclassified between overpayment categories;
- ▶ income being incorrectly assessed;
- ▶ expenditure being coded to the incorrect benefit type.

The net impact on the claim was £9.



02

Other assurance work





## Other assurance work

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During 2017-18 we also acted as reporting accountants in relation to the following schemes:

- ▶ Teachers' pensions
- ▶ Pooling of housing capital receipts

We have provided separate reports to the Council in relation to the Teachers' Pensions return and are currently preparing the final report for the pooling of housing capital receipts return. This work has been undertaken outside the PSAA regime. The fees for this are included in the figures in Section 3. They are referred to here to ensure to ensure Members have a full understanding of the various returns on which we provide assurance.

We did not identify any significant issues from this work that need to be brought to the attention of Members.



03

## 2017-18 certification fees





## 2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website ([www.psaa.co.uk](http://www.psaa.co.uk)).

<b>Claim or return</b>	<b>2017-18 Actual fee</b>	<b>2017-18 Indicative fee</b>	<b>2016-17 Actual fee</b>
Housing benefits subsidy claim	£26,910	£26,910	£24,910
Teachers' Pensions return	8,000	8,000	10,000
Pooling of housing capital receipts return	4,000 (Note 1)	4,000	4,000

Note 1 - the work to complete the housing capital receipts return is being completed. We will inform you if the final fee differs from that reported here.



04

## Looking forward



## Looking forward

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From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that the Council has appointed us to act as reporting accountants in relation to the housing subsidy scheme.

We welcome this opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.



**05**

## Summary of recommendations



## Summary of recommendations

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

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
<p>Housing benefits subsidy claim</p> <p>Given the Council has not yet seen a sustained improvement in accuracy levels, it should continue with its targeted quality control processes.</p>	Medium	<p>Every effort is made to minimise errors entering the system through robust and sustained checking, as per the details provided in this report, and that the further increase in digitisation and automation should significantly impact on re-keying errors. Where issues are identified, either through the annual audit or through checking, targeted checking will be undertaken (whether at a 100% level or on a randomised basis) to reduce recurrence of error.</p>	April 2019	Gary Muskett, Head of Revenues and Benefits

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ED None

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**Central Bedfordshire  
Council**

**Audit planning report**

Year ended 31 March 2019

January 2019



Building a better  
working world



[Redacted]

Central Bedfordshire Council

January 2019

Dear Audit Committee Members

Audit Planning Report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

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

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

We welcome the opportunity to discuss this report with you on 19 March 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris

For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Central Bedfordshire Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Central Bedfordshire Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Central Bedfordshire Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Overview of our 2018/19 audit strategy



## Overview of our 2018/19 audit strategy

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

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. In addition to our overall response, we consider where these risks may manifest themselves and identify separate fraud risks as necessary below.
Incorrect capitalisation of revenue expenditure	Fraud risk	Change in risk or focus	In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.
Valuation of property	Significant risk	Change in risk or focus	Valuation of land and property assets is a significant accounting estimate that, in the context of an uncertain economic environment, has a material impact on the financial statements. The Council commissions internal and external property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements and therefore the balances are susceptible to misstatement.

## Overview of our 2018/19 audit strategy

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

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Pension Valuation and Disclosures	Inherent risk	Change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk.</p>
New Accounting Standards	Inherent risk	New risk identified this year	<p>IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) apply from 1 April 2018 and IFRS 16 (Leases) will apply from 1 April 2020. We will assess the impact of these new standards to determine whether they have been appropriately implemented by the Council.</p>

# Overview of our 2018/19 audit strategy

## Materiality

Planning  
materiality

£10.7m

Materiality has been set at £10.7 million, which represents 1.8% of the prior years gross expenditure on provision of services. This comprises gross expenditure on the provision of services, interest payable, pension interest costs and commercial properties expenditure. We have reduced the percentage applied to gross expenditure in 2018/19 compared to 2017/18 to reflect the increased financial risk due to the continued need to deliver savings within a constrained budget.

Performance  
materiality

£8m

Performance materiality has been set at £8 million, which represents 75% of materiality. This is based on our understanding of the Council's control environment and prior year audit findings.

Audit  
differences

£0.54m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £0.54 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

# Overview of our 2018/19 audit strategy

## Audit scope

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

- Our audit opinion on whether the financial statements of Central Bedfordshire Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

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

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



# 02 Audit risks



# Audit risks

## Our response to significant risks

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

<p><b>Misstatements due to fraud or error*</b></p>	<p><b>What is the risk?</b></p> <p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p>	<p><b>What will we do?</b></p> <ul style="list-style-type: none"> <li>▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.</li> <li>▶ Understanding the oversight given by those charged with governance of management’s processes over fraud.</li> <li>▶ Consideration of the effectiveness of management’s controls designed to address the risk of fraud.</li> </ul> <p>Perform mandatory procedures regardless of specifically identified fraud risks, including:</p> <ul style="list-style-type: none"> <li>▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>▶ Assessing accounting estimates, such as bad debt and business rate appeals provision, for evidence of management bias, and</li> <li>▶ Evaluating the business rationale for significant unusual transactions.</li> </ul> <p>In addition to our overall response, we consider where these risk may manifest themselves and identify separate fraud risks below.</p>
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## Our response to significant risks (continued)

<p><b>Incorrect capitalisation of revenue expenditure*</b></p>	<p><b>What is the risk?</b></p> <p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p>In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.</p>	<p><b>What will we do?</b></p> <p>We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect capitalisation of revenue expenditure:</p> <ul style="list-style-type: none"> <li>▶ Test a sample of capital expenditure at a lower testing threshold, including Revenue Expenditure Funded from Capital Under Statute (REFCUS), where material, to verify that revenue costs have not been inappropriately capitalised;</li> <li>▶ As part of our journal testing strategy, we will review unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure</li> </ul>
<p><b>Financial statement impact</b></p> <p>Misstatements that occur in relation to capitalisation of revenue expenditure could affect the comprehensive income and expenditure account and the balance sheet by decreasing revenue expenditure and increasing capital expenditure.</p> <p>Amounts reported in the 2017/18 financial statements were:</p> <p>Capital additions (reported in Note 14): £55 million</p>		

## Our response to significant risks (continued)

### Significant risk - valuation of property

#### Financial statement impact

Misstatements that occur in relation to the valuation of property could affect the balance sheet by materially misstating the valuation of these assets; and the income and expenditure account via the impact on depreciation charges.

Amounts reported in the 2017/18 financial statements were:

Land and buildings (per Note 14): £497 million, excluding Council dwellings

#### What is the risk?

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

The Council's general fund property portfolio includes land and building assets valued on different bases, some which are harder to value with less observable market data and therefore there is a higher degree of judgement/estimation in these cases.

#### What will we do?

To address this specific risk, we adjust the nature, timing and extent of our audit procedures by, for example, increasing our sample sizes.

The next slide sets out the specific procedures we intend to undertake.

## Our response to significant risks (continued)

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

### Significant risk - valuation of property - What will we do?

We will take a substantive approach to respond to the specific risk on the asset portfolio, undertaking the following procedures related to the valuation of property:

- ▶ Disaggregate the property balance to confirm our understanding of the degree of valuation risk related to each asset category of asset. As a minimum, we have identified the general fund land and building asset portfolio valued on a depreciated replacement cost basis as an area of higher risk. We will assess the remaining property balance and develop a testing strategy to undertake sufficient testing to gain assurance over the material accuracy of the remaining balance.
- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample testing key asset information used by the valuers in performing their valuation;
- ▶ Review a sample of valuations to ensure these are appropriately supported and reasonable. This will include testing of relevant assumptions and judgements supporting the valuations.
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within an appropriate timescale.
- ▶ Consider any specific changes to assets that have occurred and confirming that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider reclassifications in-year, for example from assets under construction to PPE;
- ▶ Test the correct classification of surplus assets;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries to ensure they have been correctly processed in the financial statements.

We will engage EY valuation specialists to assist the audit team.

## Audit risks

### Other areas of audit focus

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

What is the risk/area of focus?	What will we do?
<p><b>Accounting for the net pension liability</b> The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hertfordshire County Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018, the net liability arising totalled £430 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of the pension net liability:</p> <ul style="list-style-type: none"> <li>▶ Liaise with the auditors of Bedfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Central Bedfordshire Council;</li> <li>▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and</li> <li>▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</li> </ul> <p><b>Guaranteed minimum pension equalisation</b></p> <p>In the recent Lloyds Bank High Court case, the judge has ruled that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females.</p> <p>PwC, as part of their work on reporting on the reasonableness of the assumptions used by actuaries for the calculation of the IAS 19 liability, will review how GMP equalisation has been considered and the reasonableness of any calculations that have been made. PwC will set out recommendations for work by local auditors as part of their findings.</p> <p>Officers should be discussing the Council's member profile to determine whether high level calculations are appropriate to their circumstances, and forming their own judgement whether the impact is material. We will obtain an understanding of the actions the Council has taken concerning GMP and the potential impact.</p> <p>We will engage EY pension specialists to assist the audit team.</p>

## Audit risks

### Other areas of audit focus

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

#### What is the risk/area of focus?

#### What will we do?

##### IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- ▶ How financial assets are classified and measured;
- ▶ How the impairment of financial assets are calculated; and
- ▶ The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

##### IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

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.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We will:

- ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- ▶ Consider the classification and valuation of financial instrument assets;
- ▶ Review new expected credit loss model impairment calculations for assets; and
- ▶ Check additional disclosure requirements.

We will:

- ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. This will include Local Authority Trading Companies consolidated into the Authority's Group Accounts;
- ▶ Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ Check additional disclosure requirements.



03

# Value for Money Risks





## Background

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

For 2018/19 this is based on the overall evaluation criterion:

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

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

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

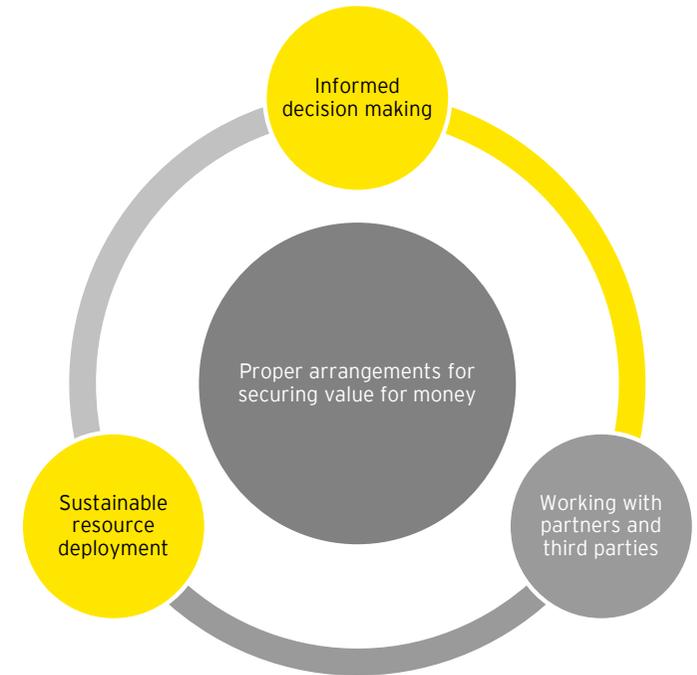
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

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

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

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this will include consideration of the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Based on work completed so far, our initial risk assessment has considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. We will keep this under review throughout the audit. This has resulted in the identification of the significant risks noted on the following page which we view as relevant to our value for money conclusion.





## Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>The continuing requirement to deliver high levels of savings represents a challenge for the Council.</p> <p>The Council is in the process of reviewing its medium term financial plan (MTFP) to reflect the latest local government finance settlement. The MTFP is set in the context of uncertainty due to Brexit and changes in funding.</p> <p>Given the uncertainties the Council has set itself a challenge of delivering an additional £6 million (Project £6m) over the next four years to 2022/23.</p> <p>In the draft MTFP, £14.8 million of efficiencies have been identified for 2019/20 and £43.9 million over the four years to 2022/23. The MTFP indicates a budget gap over these four years of £5.4 million.</p>	<ul style="list-style-type: none"> <li>Deploy resources in a sustainable manner</li> </ul>	<p>Our approach will focus on reviewing the arrangements at the Council to secure financial resilience. This will focus on a review of the Council's plans it has in place to support the delivery of its Medium Term Financial Plan. We will:</p> <ul style="list-style-type: none"> <li>obtain the programme of savings and efficiency plans in place at the Council and undertake detailed testing of a sample of individual savings plans; and</li> <li>assess the effectiveness of in year monitoring of progress against efficiency targets</li> </ul>



04

# Audit materiality



# Materiality

## Materiality

For planning purposes, materiality for 2018/19 has been set at £10.7 million. This represents 1.8% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.



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

## Key definitions

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

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £8m which represents 75% of planning materiality.

**Component performance materiality range** - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

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

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

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



05

## Scope of our audit



# Our Audit Process and Strategy

## Objective and Scope of our Audit scoping

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

We issue an audit report that covers:

### 1. Financial statement audit

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

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

#### Procedures required by standards

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

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

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

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

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

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

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

#### Analytics:

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

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

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

#### Internal audit:

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



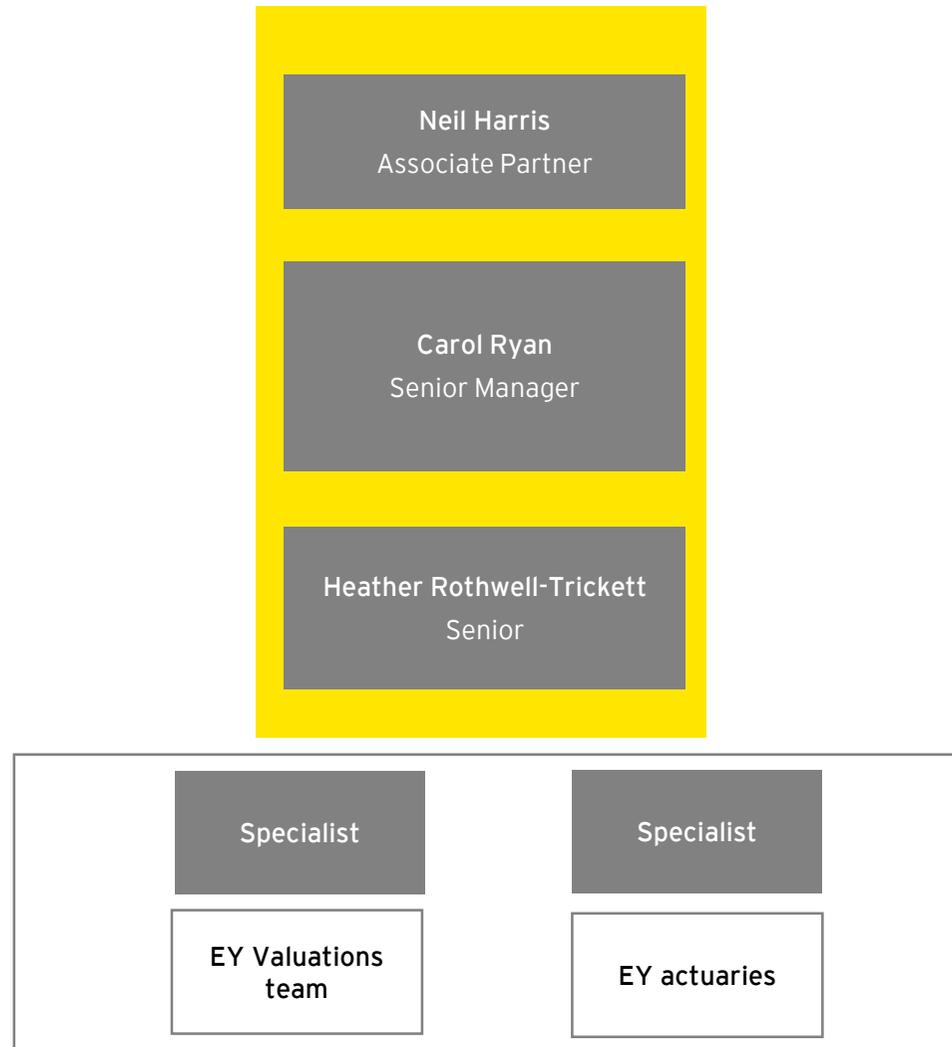
06

## Audit team



# Audit team

**Audit team structure:**



# Use of specialists

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

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

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team Central Bedfordshire internal and external valuers
Pensions disclosure	EY Actuaries Hymans Robertson PwC (appointed by the NAO)
Fair Value Investment Measurement	Arlingclose

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

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

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



**07** **Audit timeline**





# Audit timeline

## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

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

Audit phase	Timetable	Audit Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	December		
Interim audit testing Walkthrough of key systems and processes	February	March 2019	Audit Planning Report
Year end audit	June/July		
Audit Completion procedures	July	July 2019	Audit Results Report Audit opinions and completion certificates
Conclusion of reporting	August		Annual Audit Letter





08

# Independence



## Introduction

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

### Required communications

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

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

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

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

## Relationships, services and related threats and safeguards

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

### Overall Assessment

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

### Self interest threats

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

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

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is 12%. No additional safeguards are required.

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

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

## Other communications

### EY Transparency Report 2017

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

# Appendices



## Appendix A

### Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total Fee - Code work	107,389	107,389	139,466
Non-audit services - Housing Benefits	Note 2	Note 2	26,910 Note 1
Non-audit services - Teachers' Pensions	n/a	n/a	8,000 Note 3
Non-audit services - Pooling	n/a	n/a	4,000 Note 3

#### *All fees exclude VAT*

Note 1 - the scale fee for the housing benefits work for 2017/18 is £26,910. We may be required to undertake further follow up work by the Department of Work and Pensions which may lead us to seek a scale fee variation. Any fee variation will need to be approved by PSAA.

Note 2 - From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body. As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing subsidy claim. We estimate that our fees for the 2018/19 services will be:

- £7,005 plus VAT for the baseline certification work
- £1,000 - £4,000 for each set of extended ("40+") testing.

Note 3 - the engagements related to Teachers' Pensions and Pooling of housing capital receipts for the 2017/18 are nearing completion. We will inform you should the final fees differ from that reported in the table above.

The agreed fee presented is based on the following assumptions:

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

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

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

## Appendix B

# Required communications with the Audit Committee

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

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - March Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - July Audit Committee
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - July Audit Committee

## Appendix B

# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - July Audit Committee
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit Results Report - July Audit Committee
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - July Audit Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Plan - March Audit Committee</p> <p>Audit Results Report - July Audit Committee</p>

## Appendix B

# Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report - July Audit Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	Audit Results Report - July Audit Committee
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - July Audit Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July Audit Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - July Audit Committee
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - July Audit Committee
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - March Audit Committee Audit Results Report - July Audit Committee
Certification work	Summary of certification work undertaken	Certification report - March Audit Committee

## Additional audit information

### Other required procedures during the course of the audit

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

#### Our responsibilities required by auditing standards

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

### Purpose and evaluation of materiality

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

Materiality determines:

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

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

## Central Bedfordshire Council

Audit Committee

11<sup>th</sup> March 2019

### Annual review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support assessments

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**Responsible Director(s):** Charles Warboys,  
([Charles.Warboys@centralbedfordshire.gov.uk](mailto:Charles.Warboys@centralbedfordshire.gov.uk))

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#### Purpose of this report

1. To update the Audit Committee on the operation of the current RBV Policy and to seek approval of the RBV Policy for the coming year.

#### RECOMMENDATIONS

The Committee is asked to:

1. **Consider and comment on the current operational impact of the Risk Based Verification Policy and**
2. **Approve the Risk Based Verification Policy for 2019/20 at Appendix A**

#### Comments from Overview and Scrutiny

2. This report has not been discussed by the Overview and Scrutiny Committee. The Department for Works and Pensions (DWP) guidance states that it is good practice for Risk Based Verification Policies to be examined and approved by the authority's Audit Committee.

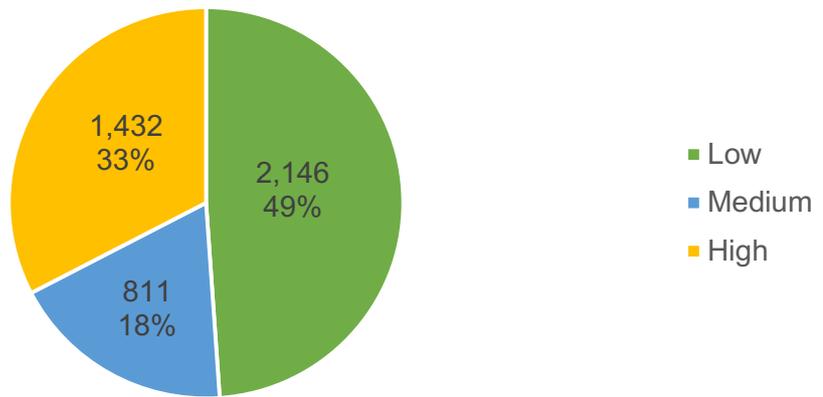
#### Background

3. The Housing Benefit Regulations require local authorities to obtain information which allows an accurate assessment of a claimant's entitlement to benefit to be made. However, with the exception of a national insurance number and proof of identity, they do not specify what evidence is required.

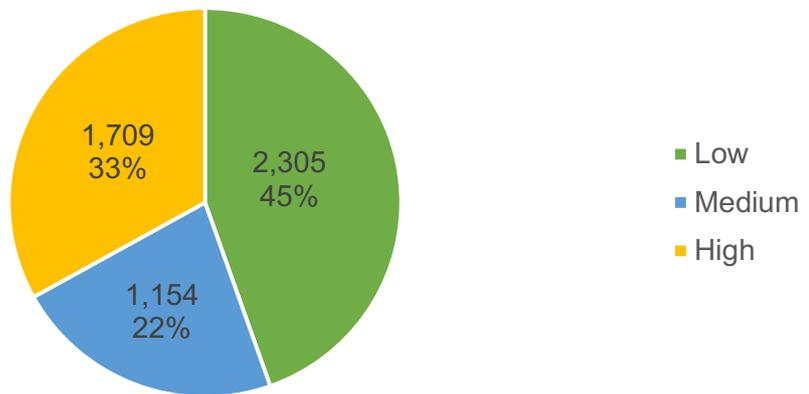
4. In 2011 the DWP changed the requirement and now allows Local Authorities to carry out this verification using a risk-based approach to new benefit claims.
5. Risk Based Verification (RBV) is a method of applying different levels of checks to new Housing Benefit and Local Council Tax Support claims according to the risk associated with those claims.
6. Claims are assessed prior to payment and put into 1 of 3 categories – **Low, Medium or High** and this determines the requirement to gather proof.
7. The risk category is determined by proprietary software using statistical information and risk propensity data gathered over many years about what type of claim represents what type of risk.
8. The RBV software is integrated with the benefit processing software and on-line electronic claim form. When a customer submits an on-line claim / application form, it is immediately risk scored with the relevant evidence requirement being displayed to the customer before the claim is finally submitted.
9. Central Bedfordshire Council adopted this new approach for new claims with effect from 1 April 2015 following approval of the Policy by the Audit Committee on 30 March 2015.
10. We have monitored the effectiveness of RBV since its introduction in April 2015 and can report as follows:

Risk Score	2015/16	2016/17	2017/18	2018/19	Variance (2015/16 to 2018/19)
Low	2,146 (48.9%)	2,305 (44.6%)	2,316 (44.8%)	See appendix B	See appendix B
Medium	811 (18.5%)	1,154 (22.3%)	1,147 (22.2%)	As above	As above
High	1,432 (32.6%)	1,709 (33.1%)	1,706 (33.0%)	As above	As above

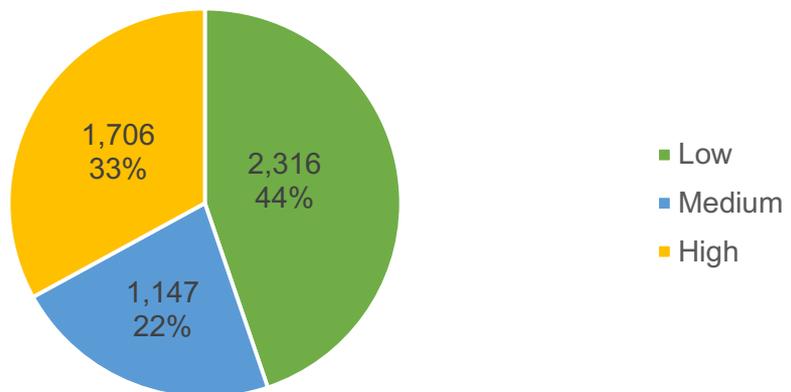
**Distribution of risk scores for 2015/16**



**Distribution of risk scores for 2016/17**



**Distribution of risk scores for 2017/18**



These scores fall outside of our expected risk scores which were forecast to be 55% low, 25% medium and 20% high.

We have been advised by our RBV software supplier that the variation in risk scores is quite normal as the original distribution percentage was calculated in 2011 when RBV was introduced nationally and due to changes in caseload demographics that have taken place over the last four years, specifically the increase in the number of in-work claims, there has been an increase in the number of high risk cases.

Our RBV software supplier has analysed the outturn from our new claims and whilst our number of high-risk cases are higher than the expected average, the results show we receive a proportionally higher number of claims from claimants who do not receive social security benefits. There is a greater propensity for such claims to be deemed as “higher risk”. A very small number of claims from pension age applicants were found to be high risk.

## Error Detection

11. There were 1,432 high risk cases submitted in the 2015/16 year, only 663 of which were still in receipt of Housing Benefit/ Local Council Tax Support at the end of that year.

For the 2016/17 year the number of high-risk cases submitted increased to 1,709 with 687 claims still being in receipt of Housing Benefit/Local Council Tax Support at the end of that year.

For the 2017/18 year (April 2017 to end of February 2018) the number of high-risk cases submitted remained almost the same at 1,706 with 522 claims still being in receipt of Housing Benefit/Local Council Tax Support at the end of that year.

For the 2018/19 year (April 2018 to end of February 2019) the number of high-risk cases submitted remained almost the same at x with x claims still being in receipt of Housing Benefit/Local Council Tax Support at the end of that year. See appendix B for 2018/19 data.

12. Analysis of these high-risk cases by claim type is shown below. Some cases fall into more than one category and this combination maybe the reason for the high risk as opposed to the claim type itself, so for example we could not say all student claims are high risk:

Type of claim / Income	No. of claims 2015/16	No. of claims 2016/17	No. of claims 2017/18	No. of claims 2018/19
In receipt of DWP out of work benefit	58	88	73	See appendix B
Has a non-dependant	36	56	41	As above
Student	7	12	8	As above
Receiving a discretionary housing payment	7	5	4	As above
Claimant earnings	403	399	432	As above
Claimant self employed	65	75	81	As above
Partner earning	98	84	73	As above
Partner self employed	32	21	15	As above

Child care costs	3	3	2	As above
Tariff income from capital	13	15	12	As above
Social housing reduction applied	36	32	29	As above

13. A random sample of the highest risk self-employed cases (high risk definitions are split across 3 levels) that are still in receipt of Housing Benefit / Local Council Tax Support was undertaken in 2018 to provide a test group for further analysis.
14. This group was subject to a full review of the income details used in the assessment of the claim in order to detect any instances of undeclared changes of circumstance e.g. an increase in profit.
15. 46 high risk claims were reviewed in detail. 37 out of 46 of the claims had some form of change in circumstance that had not previously been reported and most of the changes related to fluctuations in the claimant's earnings.
16. Over the period that RBV has been in place, the average speed of processing time has been comparable from 2015/16 to 2017/18, at approximately 37 days, although 2017/18 saw an improvement of almost 8 days with an average of 29 days. In 2018/19 the average is currently 30 days although December 2018 to February 2019 has seen improved performance at about 27 days.
17. Measuring the exact impact of RBV on the speed of processing time is difficult as there are always a number of unforeseen issues to factor into performance monitoring, such as staff changes and system availability. However, processing time since the introduction of RBV has seen an improvement which will have been aided by RBV and the gradual increase in the number of e-claim forms being submitted.
18. Initial take up of new claims being made on-line was very rapid when the facility was introduced, but since then the proportion has grown slowly to the 48% received in December 2018. This position is expected to show continued improvement in 2019/20 as the on-line form is publicised more widely following the upgrade to our customer portal in Q1 of 2019/20 and the facility for claimants to upload evidence in support of their claim which will also go live in Q1.
19. We have seen a reduction in the number of documents scanned and indexed in support of new claims, since July 2015 when the on-line benefits claim form was launched.
20. Just over 44% of new claims are returned as low risk which means more resources are targeted as the medium and high-risk cases. This enables a more efficient targeting of potential fraud and error.

### **DWP Requirements**

21. The DWP require any local authority adopting RBV to have in place a RBV policy and for this to be reviewed on an annual basis. The DWP circular S11/2011 issues guidance on what should be contained in the policy and who should approve it. The

Central Bedfordshire Council policy was drawn up in accordance with these guidelines and this was approved by the Audit Committee last year.

22. The current policy has been reviewed and no changes are proposed for 2019/20.

#### **Options for consideration**

23. None. Whilst the Council could abandon the use of RBV technology this is seen as a backward step given the progress made to date.

#### **Reason for decision**

24. To enable the continued use of RBV technology in 2019/20.

#### **Council Priorities**

25. By protecting vulnerable and elderly people as well as providing incentives to work, the Central Bedfordshire Local Council Tax Support scheme is designed to support the Council's Medium-Term Plan priorities of:
- Promoting health and wellbeing and protecting the vulnerable
  - Improved educational attainment

#### **Corporate Implications**

26. Risk Management – The RBV software package is delivered with reports that enable the scheme to be monitored. Blind sampling is automated within the system to validate the process. This will move a sample of those cases identified as low and high risk to medium risk status and therefore mitigate the risk of error in the allocation of the risk category. Furthermore, benefit assessment officers are able to increase the risk category at any time should they have concerns about an individual case. However, they must never reduce a risk rating. The Risk Based Verification procedure will detail when and how this will be carried out and monitored.
27. Risk Based Verification reduces the risk of payment of Housing Benefit and Local Council Tax Support to fraudulent applicants as it allows targeting of resources toward high risk cases.
28. In circular HB/CTB S11/2011, the DWP has laid out the procedure required to implement Risk Based Verification to ensure local authorities meet auditing requirements. Central Bedfordshire Council is following these requirements and therefore reducing any risk to the Housing Benefit subsidy claim. The scheme has been piloted in other local authorities, and rolled out nationally from November 2011, allowing Central Bedfordshire Council to benefit from the experiences of others.
29. The risk category assigned to each claim will automatically be flagged on the Civica software to enable our external auditors to identify and check the verification requirements of the claim have been correctly categorized and documentary evidence has been obtained in support of the claim as per the policy.

## **Legal Implications**

30. Adoption of Risk based Verification (RBV) is voluntary for an authority but if an authority chooses to adopt it, it must have in place a RBV Policy setting out the risk profiles, and verification standards that will apply and the minimum number of claims to be checked. Such a policy must be approved by Members and have the agreement of the authority's Section 151 Officer. Due to the nature of the content of the policy, it is not made publicly available. It is also expected that there is monthly monitoring of RBV to ensure it is effective and that there is reporting of this.
31. The use of RBV is supported by legislation, DWP circulars, guidance and local policy.

## **Financial Implications**

32. Implementation and on-going costs of RBV technology are contained within existing budgets; however, this approach to claim verification will in time improve processing times for benefit claims, which should reduce the likelihood of overpayments being made to claimants that then have to be recovered.

## **Equalities Implications**

33. Pursuant to the Equality Act 2010 ("the Act") the Council, in the exercise of its functions, has to have due regard to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.
34. RBV will apply to all new claims for Housing Benefit and Local Council Tax Support. A mathematical model is used to determine the Risk score for any claim. This model does not take into account any of the protected characteristics dealt with by the Equalities Act.
35. The Risk score profiles are determined by a propensity model; a mathematical formula which uses historical outcome data to establish the likelihood of fraud and error appearing in any given claim. Each benefit claim is analysed by the risk score software to identify if any of the characteristics associated with the occurrence of fraud and error are present. Likelihood is expressed by a risk category of high, medium or low risk'.
36. The course of action to be taken in respect of the risk score is governed by the policy. As such there should not be any equalities impact.

## **Conclusion and next Steps**

37. Approval is being sought to extend the use of RBV technology for new claims of Housing Benefit / Local Council Tax Support claimants for 2019/20.

## Appendices

**Appendix A:** Exempt Appendix - Risk Based Verification Policy (Exempt under paragraph 7 Part 1 of Schedule 12A to the Local Government Act 1972 as it contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime)

**Appendix B:** 2018/19 data to populate tables and charts at paragraphs 10, 11 & 12. Appendix to follow when data available.

## Background Papers

None

**Report author: Gary Muskett**

**Head of Revenues & Benefits**

[Gary.muskett@centralbedfordshire.gov.uk](mailto:Gary.muskett@centralbedfordshire.gov.uk)

## Appendix B

### Central Bedfordshire Council

Audit Committee

11<sup>th</sup> March 2019

#### Annual review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support assessments

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**Responsible Director(s):** Charles Warboys,  
([Charles.Warboys@centralbedfordshire.gov.uk](mailto:Charles.Warboys@centralbedfordshire.gov.uk))

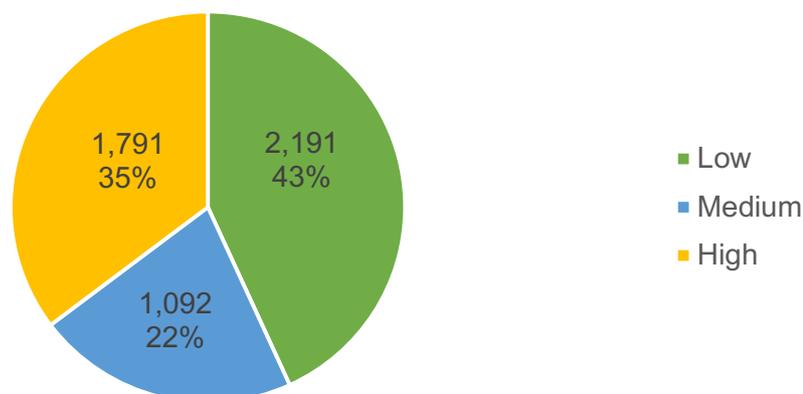
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#### Update to paragraph 10 of the main report

We have monitored the effectiveness of RBV since its introduction in April 2015 and can report as follows:

Risk Score	2015/16	2016/17	2017/18	2018/19	Variance (2015/16 to 2018/19)
Low	2,146 (48.9%)	2,305 (44.6%)	2,316 (44.8%)	2,191 (43.2%)	+45 (+2.1%)
Medium	811 (18.5%)	1,154 (22.3%)	1,147 (22.2%)	1,092 (21.5%)	+281 (+34.7%)
High	1,432 (32.6%)	1,709 (33.1%)	1,706 (33.0%)	1,791 (35.3%)	+359 (+25.1%)

### Distribution of risk scores 2018/19



#### Update to paragraph 11 of the main report

For the 2018/19 year (April 2018 to end of February 2019) the number of high-risk cases submitted increased slightly to 1,791 with 407 claims still being in receipt of Housing Benefit/Local Council Tax Support at the end of that year.

Analysis of these high-risk cases by claim type is shown below. Some cases fall into more than one category and this combination maybe the reason for the high risk as opposed to the claim type itself, so for example we could not say all student claims are high risk:

Type of claim / Income	No. of claims 2015/16	No. of claims 2016/17	No. of claims 2017/18	No. of claims 2018/19
In receipt of DWP out of work benefit	58	88	73	63
Has a non-dependant	36	56	41	34
Student	7	12	8	5
Receiving a discretionary housing payment	7	5	4	5
Claimant earnings	403	399	432	374
Claimant self employed	65	75	81	37
Partner earning	98	84	73	33
Partner self employed	32	21	15	15
Child care costs	3	3	2	2
Tariff income from capital	13	15	12	8
Social housing reduction applied	36	32	29	10

## Central Bedfordshire Council

AUDIT COMMITTEE

11 March 2019

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### Local Government Pension Scheme Update

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

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#### Purpose of this report

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

#### RECOMMENDATIONS

The Committee is asked to:

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

#### Overview and Scrutiny Comments/Recommendations

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

#### Background

2. The Local Government Pension Scheme (LGPS) in England and Wales is a funded public sector pension scheme with approximately 5.8 million members. The scheme, which currently invests some £271 Billion in assets (as at March 2018), is the largest defined benefit scheme in the UK and one of the largest in the world.
3. The regulations for the scheme are determined by Parliament and developed by the Ministry for Housing, Communities and Local Government.
4. Bedford Borough Council is the administering authority for the Bedfordshire Pension Fund and the Fund's Administrator is the Borough Council's Assistant Chief Executive (Enabling).
5. Bedford Borough Council's responsibilities as Administering Authority are undertaken through the Pension Fund Committee, which comprises elected members of Bedford Borough Council, Luton Borough Council and Central Bedfordshire.

6. Participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services such as academy schools, contractors, housing associations and charities.

## Membership

7. At 31 March 2018 the Fund had 171 employers and 66,134 members. See Table 1 below.

Table 1

<b>Fund membership</b>		
	<b>31.03.18</b>	<b>31.03.17</b>
Active members	22,275	21,140
Pensioners	16,436	15,538
Deferred pensioners	30,160	29,456
<b>Totals</b>	<b>68,871</b>	<b>66,134</b>

8. CBC has 9,948 members as at March 2018. See table 2 below:

<b>Table 2 LGPS Bedfordshire and CBC Membership at 31/3/13 and 31/3/18</b>				
	<b>Fund</b>	<b>Fund</b>	<b>CBC</b>	<b>CBC</b>
	<b>31 March 2013</b>	<b>31 March 2018</b>	<b>31 March 2013</b>	<b>31 March 2018</b>
<b>Active</b>	17,442	22,275	3,948	4,671
<b>Deferred</b>	21,142	30,160	6,755	4,176
<b>Pensioners</b>	13,158	16,436	4,131	1,101
<b>Total</b>	<b>51,742</b>	<b>68,871</b>	<b>14,834</b>	<b>9,948</b>

9. The reduction in the numbers of CBC employees since 2013 is due in part to schools converting to academy status and therefore they are no longer employees of CBC.
10. The Academy becomes a separate employer within the Fund and therefore reported separately (but still in the Fund totals).

## Pensions Fund Account and Net Asset Statement as at March 2018

Table 3

<b>Pension Fund Account Summary</b>		
	2017/18	2016/17
	£M	£M
<b>Contributions &amp; Benefits</b>		
Employee contributions	24.3	23.4
Employer contributions	93.0	85.5
Transfer values received	40.9	12.9
Other income	0.1	0.1
<b>Total income</b>	<b>158.3</b>	<b>121.9</b>
<b>Pensions &amp; other benefits</b>		
Pensions & other benefits	90.3	86.4
Transfer values and refunds paid	8.0	7.6
<b>Net additions/ (withdrawals) from dealings with members</b>	<b>60.0</b>	<b>27.9</b>
Management Expenses	8.3	7.9
<b>Returns on Investment</b>		
Investment income less tax	10.1	8.2
<b>Profit/(loss) on disposal and change in investment value</b>	<b>39.2</b>	<b>312.6</b>
<b>Movement of funds</b>		
Opening net assets	2,073.7	1,732.8
Surplus for investment	61.7	28.3
Change in value of assets	39.2	312.6
<b>Closing net assets</b>	<b>2,174.6</b>	<b>2,073.7</b>

11. During the year the value of the Fund increased by £101 million to £2,175 million its highest value.

Table 4

<b>Market value of fund assets at 31 March 2018</b>		
	% of fund	Market value £M
Pooled investments	94.7	2,058.718
Cash and other	5.3	115.851
<b>Totals</b>	<b>100.0</b>	<b>2,174.629</b>

12. Also, during the year, the Fund rebalanced its portfolio moving £36 million from All World Equities and investing in Absolute Return Multi Asset Funds in mid July 2017. In addition, the Fund made its first investment in Standard Life Capital Secondary Opportunities Fund III (Private Equity) totalling £9.3 million.
13. The Fund's external managers and the market value of the assets under their control as at 31 March 2018 are shown in table 5 below:

Table 5

Manager	Fund %	Market value £M
Legal & General	26.1	567.130
BlackRock	25.5	553.257
CBRE	10.0	217.544
Insight	8.0	174.876
Invesco	7.1	155.249
Pyrfords	6.8	148.415
Trilogy	5.5	118.547
Newton	5.3	114.493
SL Capital	0.4	9.267
In-house managed	5.3	115.851
<b>Total</b>	<b>100.0</b>	<b>2,174.629</b>

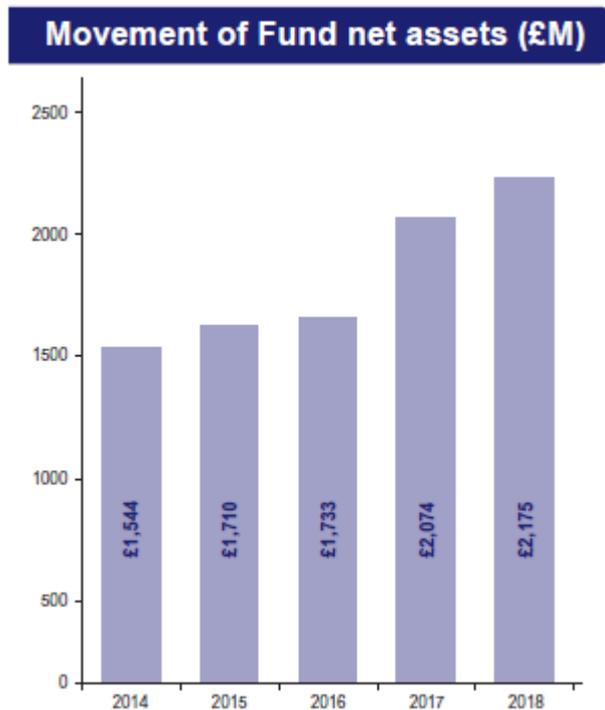
14. The returns by asset class and movement of fund net assets are below at table 6 and 7.

Table 6

Returns by asset class 2017-2018		
	Fund %	Benchmark %
Overall	2.3	4.0
UK equities	2.55	1.25
Overseas equities	6.34	1.25
Fixed interest securities	0.53	0.46
Absolute Returns Bonds	0.15	2.41
Index Linked Bonds	0.68	0.53
Property	9.47	10.05
Absolute Return Multi Asset*	-1.09	5.68

\* The Absolute Return Multi Asset portfolios are a strategic mix of different asset classes.

Table 7



### Appointment of a new Actuary

15. Barnett Waddingham (BW) have been appointed as the new Actuary taking over from Hymans Robertson from 1 October 2018. The Membership and Investment data has been transferred and reconciled with the new actuary and is now being reviewed by Bedford Borough's Internal Audit Service.

16. BW employ over 1,100 staff based at several offices. Of these, 130 staff are currently actuaries and BW acted as Actuary for 25% of all Local Government Pension Schemes (LGPS) offering a bespoke funding model and strategic support.

### Regulatory and Governance Changes

LGPS: Technical Amendments to Benefits – Policy Consultation

17. Ministry for Housing, Communities and Local Government (MHCLG) opened an eight week policy consultation called 'LGPS: technical amendments to benefits' to consider three areas:

- Survivor benefits – introducing changes to provide that pensions paid to survivors of civil partnerships or same-sex marriages will be equal to those provided to widows of male members. The changes will be backdated to the date civil partnerships and same-sex marriages were implemented, this means that LGPS

administering authorities will need to revisit all awards made under the current rules to civil/same-sex partners and pay any additional sums that are due.

- Introducing a general power for MHCLG to issue statutory guidance.
- Correcting the unintended error in the LGPS (Amendment) 2018 Regulations to provide that deferred members who left under the 1995 Regulations are able to take payment of their LGPS pension without the need for their former employer's consent from age 55, with the appropriate actuarial reduction.

18. The closing date for the consultation was 29 November 2018.

#### GAD Section 13 Valuation

19. The Government Actuary Department (GAD) has published its findings of the first review of Section 13 (following the dry run in 2013). Subsection (4) of Section 13 requires MHCLG to report on four key aims:

- Compliance – whether the fund's valuation is in accordance with Scheme Regulations;
- Consistency – whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within LGPS;
- Solvency – whether the rate of employer contributions is set at an appropriate level to ensure solvency of the fund;
- Long term cost efficiency – whether the rate of employers contributions is set at an appropriate level to ensure the long term cost efficiency of the scheme.

20. Compliance and Consistency refer to the process and methodologies of the Actuarial Valuation. GAD found all actuarial valuation reports for the sample tested had been completed in accordance with the regulations. In relation to consistency, GAD found marked differences between discount rates, mortality improvements, salary increases and commutation that were not due to local circumstances. GAD has therefore recommended the Scheme Advisory Board (SAB) undertake further work to consider what steps should be taken to achieve greater clarity and consistency in actuarial assumptions, and on a common basis for future conversions of schools to academy status.

21. GAD define solvency as considering the rate of employer contributions being set at an appropriate level to ensure solvency of the fund and there is capacity to increase employer contributions to achieve 100% funding/an appropriate plan if there were a limited number of fund employers. GAD assessed risk against a range of measures, two of which are highlighted in the report. 74 of the 89 funds tested received green flags on all solvency measures (an improvement since 2013 of 56 out of 90).

- (a) SAB Funding Level – The report highlights that there is an existing risk for those employers with the lowest funding levels. Those funds in the bottom decile are listed in the report on Page 29. Bedfordshire Pension Fund is within that decile,

quoted as -13% (joint 8th from bottom) from the mean average funding resulting in an amber flag. GAD has not engaged with Bedfordshire Pension Fund (BPF) regarding any specific concerns about the funding level. We believe this measure alone is not insightful and given that BPF are not flagged anywhere else within the GAD report, this would imply that regardless of current funding position the funding plan is robust and credible. Officers will be discussing the GAD findings, and our funding level in more detail with Barnett Waddingham as part of the 2019 Valuation.

(b) The Report also considers Asset Shock which stress tests a sustained reduction in the value of return seeking assets and the employer contributions required to meet the emerging deficit. Four funds have received an amber flag which are discussed in more detail on Pages 31-32 with specific recommendations for West Midlands Integrated Transport Authority. BPF received a green flag in this area.

22. Long Term Cost Efficiency considers whether the rate of employer contributions are set at an appropriate level to ensure that payments are not deferred into the future to disproportionately affect future generations of taxpayers. 83 of the 89 funds had green flags on all long term cost efficiency measures. The Cipfa Funding Strategy Statement Guidance states “Administering Authorities should avoid continually extending the deficit recovery periods at each and subsequent actuarial valuations... [And] aim to reduce deficit recovery periods”. The report recommends all funds review their Funding Strategy Statement to ensure handling of surplus or deficits are fair to both current and future taxpayers.

## 2018 Autumn Statement

23. The Chancellor made a number of announcements in his Autumn Statement on 29 October 2018 that affect the Pension Fund and its employers. The most significant change relates to the Scape (superannuation contributions adjusted for past experience) Discount Rate which is discussed in detail in paragraph 24 to 28, a summary of the other changes are set out below:

- Pension increases will be in line with Consumer Price Inflation Housing (CPIH), instead of Consumer Price Inflation (CPI), although the date of any change has not been confirmed. CPIH is CPI but including housing costs (the average change in residential rents) included in the basket of goods that are measured. As housing costs often increase quicker than other goods CPIH is generally higher than CPI (but not always). All else being equal this would increase pension fund liabilities lightly;
- The lifetime allowance has been increased to £1.055m for the year 2019/2020 and currently increases in line with CPI each year but CPIH may also be adopted for this purpose.
- The National Living Wage (NLW) will increase by over 11% to £8.21 an hour from April 2019. Although this is unlikely to have a material impact at fund level, this will have implications for LGPS employer pension costs, in monetary terms, as those members on NLW will accrue a higher CARE pot in the future.

## SCAPE Discount rate change

24. The Chancellor also confirmed the reduction in the SCAPE discount rate from CPI + 2.8% to CPI +2.4%. The SCAPE discount rate is used to set all the employer contributions in the unfunded public sector pension schemes and determine the actuarial factors used across all the public service pension schemes.
25. The reduced rate became effective from 29 October 2018 for the calculation of actuarial factors in the LGPS – this means that some non-club transfers, some inter-fund calculations and all CETVs for divorce must be put on hold until new actuarial factors are issued. It is anticipated that the new transfer factors will be issued by the Secretary of State within 6 weeks of 29 October.
26. All of the Scheme's actuarial factors will need revising following the change to the SCAPE discount rate, though MHCLG have confirmed that these can be implemented at a slower rate as they do not have to be effective from 29 October 2018.
27. It has been agreed by MHCLG, GAD, LGA and LGPS software providers that if there are any changes to calculations, these will be communicated with software providers in advance of their introduction so that changes can be made to pension administration systems in time for the implementation of the new factors.
28. Communications with members who may be affected by these impending changes have commenced.

## Separation Project

29. In 2015 the Scheme Advisory Board (SAB) commissioned KPMG to undertake a project to examine the issues and challenges of separating the pension's functions of the LGPS administering authorities from their host authorities to successfully manage the potential conflicts of interest arising between the pension fund and its parent local authority. A further project for 2019/2020 has been established to see how the recommendations could be made to work in practice. Hymans Robertson have been appointed to undertake this project.

## Cost Cap

30. SAB at its meeting on 10 October 2018 considered a statement from the Treasury regarding the scheme valuations for the public service pension schemes, including the LGPS. For the unfunded schemes, a reduction in the discount rate will result in significant increases in employer contributions while the outcome of the cost cap floor of 2% being breached is expected to lead to improvements in member benefits. For the LGPS, employer rates are set by local fund valuations (next in 2019) but the cost cap mechanism does potentially impact. The SAB cost management process which will now progress with any changes to benefits being taken into account in the HM Treasury process. Based on work undertaken by the

SAB's actuarial adviser, the total cost of the scheme (employer and employee) under the Board's process is 19% against a target total scheme cost of 19.5%.

31. Further work will be undertaken by SAB to agree a package of benefit changes to return the scheme to its total target cost of 19.5% while also looking at employee contributions at the lower end.
32. The outcome of the Cost Cap is now on hold pending the outcome of the McCloud case. The case concerns transitional protections to members that were given in the judges and firefighters schemes as part of the public service pensions reform that the Court of Appeal in December 2018 ruled were unlawful on grounds of discrimination. The Government is now appealing to the Supreme Court for permission to appeal.

#### Committee Makeup

33. The Committee have previously requested that Bedford Borough Council add a substitute to the Committee in line with Central Bedfordshire and Luton Councils. Full Council on 10 October 2018 approved the appointment and Councillor James Saunders was appointed to the Pension Fund Committee.

#### Cap on Exit payments

34. As previously reported to Committee, there has been no movement from the Government on changes to the various exit payment reforms that the Government were in the process of introducing prior to the General Election. It is understood that parliamentary time and government legal support is in short supply for this area and nothing is expected to be issued until later in the year.

#### **Actuarial Valuation and Employer Contributions**

35. The actuarial review was covered in detail in the report to the Audit Committee in January 2017. The next actuarial review will take place during 2019 to take effect from 1 April 2020.

#### **CBC Certified Employer Contribution Rates**

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

<b>Table 8 – CBC Certified Employer Contribution Rates</b>			
Year	Future Current Service Rate % of pay	Lump Sum for deficit recovery £M	Total Rate %
2014/15	14.0	6.662	24.4
2015/16	14.0	7.212	24.9
2016/17	14.0	7.450	24.9
<b>2017/18</b>	<b>16.9</b>	<b>5.903</b>	<b>24.2</b>
<b>2018/19</b>	<b>16.9</b>	<b>7.073</b>	<b>25.2</b>
<b>2019/20</b>	<b>16.9</b>	<b>8.296</b>	<b>26.5</b>

37. The increase in the current cost of accrual (current service rate) from 14% of pay to 16.9% reflects the change in discount rate and other actuarial assumptions including the actual take up of the 50:50 membership option which has, in common with the LGPS as a whole, been much less than was originally assumed. The increase in contribution rates continues to be stabilised for employers in the Bedfordshire Fund.
38. The outcome of the initial modelling exercise suggested that the contributions would need to increase by more than the 0.5% p.a. steps that had applied in previous years. Further modelling took place to assess the appropriateness of a funding strategy for the councils assuming larger increases of +1% of pay p.a. The certified rates for the Council have been based on the later modelling results which generated an appropriate likelihood of achieving a fully funded position over a 20 year period.
39. CBC pays a lump sum deficit recovery to the pension fund annually. This sum assumes a contribution from maintained schools. As schools convert to Academies, they no longer contribute to the CBC total and so the share of the element that CBC pays increases accordingly.
40. On conversion, the Academy pays toward its own deficit, but the total amount chargeable to CBC is fixed until the next triennial valuation. Effectively CBC overpays until the reset which is adjusted at that point.
41. Note that we are currently exploring paying the deficit recovery payment as an up front lump sum as a number of Councils have found that an up front payment is less than the cost of paying annually over three years. Some County Councils have saved between £1.5M to £2.0M.

## **Pension Fund Performance to 31 March 2018**

42. The Fund value ended the quarter slightly higher than the previous quarter. The market value of the Fund and cash holdings at 30 June 2018 was £2,237.1 million, a decrease of £85.6 million from £2,151.5 million held at 31 March 2018 and an increase of £509.7 million since the 31 March 2016 (the date of the last triennial valuation) value of £1,727.4 million.
43. The positive performance since the triennial valuation has primarily come from the equities asset class.
44. The Pension Fund net investment return for the quarter ending 30 June 2018 was 3.75% which is behind the benchmark return of 4.09%.
45. The performance for the preceding 12 months was 5.3% behind the benchmark return of 8.35% per annum (pa).
46. The performance over the preceding 3 year period was 10.4% pa which is ahead of the benchmark return of 2.4% pa.
47. The performance over the preceding 5 year period was 8.1% pa which is ahead of the benchmark return of 1.0% pa.

## **Asset allocation.**

48. At its meeting on 22 November 2016 the Pension Committee considered the results of Asset Liability Modelling to ensure that it has the appropriate asset allocation. The current asset allocation is shown at Table 8.
49. The commitment to property of £25 million, agreed at the Pension Fund Committee on 11 March 2014, has not been further committed from that reported at the last Committee with £28 million currently being held in cash by the investment manager. Officers met with CBRE on 2 August 2018 to discuss the performance of the Fund, to further challenge CBRE on the slow commitment of funds, and meet the new Portfolio Manager Mark Adcock. CBRE acknowledge that commitment has been slow, however, as at 30 June, there were £10 million of commitments that had not yet been drawn down. Since the end of the quarter the Fund has been notified of a number of new internal investments that have taken place; as at the end of July the level of cash held was £24 million.
50. The commitment of £25 million to Pantheon Real Assets Strategic Opportunities Fund was approved by the Committee during March 2018. There have been five drawdowns over the quarter, with the total committed at 30 June 2018 at approximately £8.5 million.
51. The value of cash held has also increased over the quarter to £97.9 million. It is anticipated that a proportion of the cash will be required to fund the transfer out of an employer.

<b>Table 9 Bedfordshire Fund Investment Asset classes and values at 31 March 2018</b>					
<b>Asset class</b>	<b>30 Jun 18</b>	<b>30 Jun 18</b>	<b>31 Mar 18</b>	<b>31 Mar 18</b>	<b>Bench mark</b>
	<b>£M</b>	<b>%</b>	<b>£M</b>	<b>%</b>	<b>%</b>
UK Equities	207.6	9.3	190.7	8.9	9
Overseas and Global Equities	925.8	41.74	871.8	40.5	41
<b>Total Equities</b>	<b>1133.4</b>	<b>50.7</b>	<b>1062.5</b>	<b>49.4</b>	<b>50</b>
Government Bonds	66.2	3.0	66.0	3.1	
Index Linked Gilts	109.8	4.9	111.0	5.1	
Absolute return Bonds	169.7	7.6	175.1	8.1	
<b>Total Bonds</b>	<b>345.7</b>	<b>15.5</b>	<b>352.1</b>	<b>16.3</b>	<b>18</b>
Property – (Indirect))	218.6	9.8	190.7	8.9	10
Multi Asset Absolute Return	423.4	19.0	418.1	19.4	20
Private Equity	9.7	0.4	8.1	0.4	
Infrastructure	8.4	0.4	0	0	
Cash	97.9	4.4	120.0	5.6	2
<b>Total Fund</b>	<b>2273.1</b>	<b>100</b>	<b>2151.5</b>	<b>100</b>	<b>100</b>

## Liabilities

52. The funding level as at 30 June 2018 stood at 73.9% (70.8% as at 31 March 2016), and a reduction from the estimated deficit reported in March from £883 million to £790 million at 30 June 2018. The most significant movement is the increase in investment returns, relating to prevailing market conditions.

## **Council Priorities**

53. This report provides information about the Local Government Pension (LGPS). The LGPS has been subject to significant changes over recent years as central government strives to ensure that public sector pension schemes provide value for money. This objective is in line with the Council's own value for money priority.

## **Corporate Implications**

### **Legal Implications**

54. There are no specific legal implications as this report is made for information purposes. The LGPS in England and Wales is operated in line with various regulations made by the Secretary of State for Housing, Communities and Local Government in exercise of the powers conferred by the Superannuation Act 1972 and the Public Service Pensions Act 2013.

### **Financial and Risk Implications**

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

56. LGPS contributions are a significant proportion of the Council's overall employment costs and as such the governance and performance of the scheme merits regular monitoring by this Committee.

### **Equalities Implications**

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

## **Conclusion and next Steps**

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

## **Appendices**

None

## **Background Papers**

None

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## Central Bedfordshire Council

Audit Committee

11 March 2019

### Statement of Accounts 2018/19

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Report of: Director of Resources, Charles Warboys  
([Charles.Warboys@centralbedfordshire.gov.uk](mailto:Charles.Warboys@centralbedfordshire.gov.uk))

**This report relates to a decision that is Non-Key**

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### Purpose of this report

1. The report outlines key changes required to the Council's statutory Statement of Accounts for 2018/19.

### RECOMMENDATIONS

The Committee is asked to:

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

### Background

2. The Accounts and Audit Regulations 2015 require the responsible financial officer of the Local Authority (the Director of Resources) to prepare and sign a set of unaudited accounts by 31 May each year. Audited accounting statements are required to be re-certified by the responsible financial officer, signed by the Chair of the Audit Committee and published by 31 July each year.
3. In addition to meeting the requirements of the 2015 Regulations, the Council has in recent years arranged a Statement of Accounts presentation, open to all Members, to inform and enable scrutiny of the key figures from the Statements.
4. Under the same 2015 regulations, the accounts are required to present a 'true and fair' view of the financial position of the Council and comply with 'proper accounting practices'. The Local Government Act 2003 specifies the CIPFA Code of Practice, issued annually, as representing proper accounting practices for this purpose.

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

### **CIPFA Code of Practice 2018/19 Changes**

6. In respect of English local authorities, the Code for 2018/19 has more changes compared to 2017/18. These are mainly in respect of changes to accounting standards as two new standards will apply. The main changes are outlined below.

#### **Presentation of the financial statements**

7. The Accounts and Audit Regulations 2015 introduced a new requirement for English authorities to produce a Narrative Statement, providing an accessible guide to the most significant matters reported in the accounts. The statement must include comment by the Council on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The Narrative Statement should be fair, balanced and understandable for the users of the financial statements.
8. There is further emphasis in the 2018/19 Code on the Telling the Story aspect of the financial statements. The Code no longer requires statements or notes to be prepared in accordance with SeRCOP, instead the service analysis is based on organisational structure. This was first introduced in 2017/18 and will be maintained for the 2018/19 Statement of Accounts.
9. There are a number of minor disclosure amendments to the Cashflow Statement as a result of amendments to IAS 7 *Statement of Cash Flows*.

#### **Amendments arising from changes to accounting standards**

10. There are a few changes to accounting standards that impact on the Statement of Accounts 2018/19. These are intended to improve transparency around the effect of transactions on local authority finances and have arisen largely as a result of responding to the 2008 financial crisis.
11. **IFRS 9 *Financial Instruments*** – is effective for annual periods beginning on or after 1 January 2018. Its objective is to establish principles for the financial reporting of financial instruments that will present useful information for the users of the financial statements to assess the amounts, timing and the uncertainty of future cash flows.
12. IFRS 9 has introduced a new classification model based on the business model for holding the financial assets and on the nature of the cash flows that might flow from them. Local authorities will therefore need to identify their financial assets, consider them against the new tests in IFRS 9, remeasure any that have changed classification and prepare the relevant adjustments to opening balances and consider the possible impact of statutory reversals.

13. IFRS 9 has also introduced a new expected credit loss model for impairment. This model will require local authorities to assess the risk of default on the relevant financial instruments rather than an assessment based on evidence that the default has already taken place. Local authorities will need to calculate their loss allowances based on this new model and adjust the General Fund Balance for these re-measurements. Work with CIPFA/LASAAC and the Treasury and Capital Management Panel has indicated that these loss allowances should not be very significant for the majority of financial assets held by local authorities as normally local authorities invest in financial assets with high credit ratings.
14. There are substantial new disclosures to support the objective of the standard to assist users in assessing the amounts, timing and uncertainty of cash flows.
15. Impact for CBC – It is not anticipated that these changes will have a material impact on the financial statements of the Council. In response to IFRS 9, we have updated the accounting policies and also elected to treat the Council's £5.5M Lime Fund holding in such a way that means no change in its accounting treatment, i.e., any in-year capital gain or loss is taken to a reserve (as is currently the case) and does not impact on Council Tax.
16. **IFRS 15 Revenue from Contracts with Customers** – IFRS 15 introduces a new five stage model for the recognition of revenue from contracts with customers replacing the previous standards IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations.
17. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.
18. The scope of the standard covers all contracts with customers except leases, financial instruments and insurance contracts. It does not include council tax or non-domestic rate income.
19. The standard also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers
20. Impact for CBC – there is likely to be minimal change seen to the Statement of Accounts 2018/19 for this standard as the Council has not entered into any complex contract arrangements nor do we currently prepare group accounts.
21. **IFRS 16 Leases** – this has been delayed, initially was for periods commencing 01 January 2019 however for local authorities this will now be 1 April 2020. There are no substantial changes for lessors, however there are significant changes for lessees as all leases will now be recognised on the balance sheet, unless they are short term or of low value. There will be no need to classify into finance / operating leases. This will require a full examination of what leases the Council has entered into, along with their contractual requirements. Work on this has already started and will be further developed in 2019/20.

## **Other key issues**

### **Earlier closedown**

22. The Accounts and Audit Regulations 2015 require local authorities to approve and publish the accounts by 31 May and 31 July respectively effective from the accounts for the year 2017/18. Preparation for these earlier closedown requirements began a few years ago and this was successfully achieved last year.
23. From 2017/18 we agreed with the Council's professional valuer Wilks Head & Eve, a change to the valuation date of the Council's housing stock from 1 April to 31 December each year, and this continues to be the case for 2018/19. Consequently, the year end impairment review will cover a period of three months, rather than the whole year, reducing the impact of any change in market conditions during this time. It is considered that, as these are unlikely to be material in future, an impairment allowance will not be required to be adjusted for at the year end and this should help with the earlier deadline.

### **Statement of Accounts presentation**

24. For the last five years there has been a presentation of the key figures in the accounting statements to this Committee with all other Council Members invited, the purpose being to enhance the scrutiny and discussion of the statements. The presentation for 2017/18 was made by the Director of Resources (s151 Officer) and other key members of his team and included a question and answer session.
25. Conducting a presentation instead of submitting the accounts as an Audit Committee report enabled significantly more time for Finance staff to concentrate on quality assurance work in May. Making the most of the time available for quality assurance activities helps to minimise the work of the Finance team and the external auditors during the audit period. Positive feedback was received following the latest presentation, which engaged Members and enabled a focus on the key points within the accounts. It is therefore proposed to present the 2018/19 statements in a similar manner at the Audit Committee meeting in May 2019 with an open invitation to all Council Members to attend.

### **Creation of a Council Owned Housing Company**

26. The Executive has recently endorsed the creation of a wholly owned Housing Company. This is part of a proactive approach to increase and influence the supply of new homes in order to help address the shortfall between demand for and supply of new affordable homes. This has been discussed with the Council's external auditors (EY) and no issues are expected for 2018/19.

### **Rights of Access to the Statement of Accounts**

27. The Accounts and Audit Regulations 2015 extended the period for exercise of Public Rights (which include rights of objection, inspection of the local authority accounting documentation and questioning of the external auditor) to 30 working days. During this period the Council must make all relevant documents available for public inspection.

28. The Regulations also require that the period for the exercise of public rights includes the first 10 working days of June of the financial year immediately following the end of the financial year being reported.

## **Council Priorities**

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

## **Corporate Implications**

### **Legal Implications**

30. The production of an annual Statement of Accounts is a requirement of the Accounts and Audit Regulations 2015. The accounts are to be prepared in line with 'proper accounting practice' which are contained in a code of practice or other document which is identified by regulations made by the Secretary of State (Local Government Act 2003 section 21(2)). Regulation 26 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specifies proper practices as the accounting practices contained in "A Statement of Recommended Practice: Code of Practice on Local Authority Accounting in the United Kingdom" (CIPFA/LASAAC) and "Best Value Accounting Code of Practice" ("CIPFA").
31. The accounts are based on International Financial Reporting Standards (IFRS) as defined by the CIPFA Code of Practice and the authority must incorporate any changes to the CIPFA Code in preparing the financial statements.

## **Financial and Risk Implications**

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

## **Equalities Implications**

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

## **Conclusion and next Steps**

34. It is requested that the Committee notes the key changes required to the 2018/19 Statement of Accounts and the intention to make a presentation of the accounts as certified by the Director of Resources (s151 Officer) to the Committee and other

Members in May. The impact of the changes for 2018/19 will be highlighted in the Statement of Accounts presentation.

## **Appendices**

None

## **Background Papers**

None

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## Central Bedfordshire Council

**Audit Committee**

**11<sup>th</sup> March 2019**

### **Corporate Risk Management Review**

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**Responsible Director(s):** Charles Warboys,  
([Charles.Warboys@centralbedfordshire.gov.uk](mailto:Charles.Warboys@centralbedfordshire.gov.uk))

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### **Purpose of this report**

1. To update the Audit Committee on the findings of a recent review of the corporate Risk Management arrangements undertaken by Zurich Municipal and the resultant action plan to address the recommendations.

### **RECOMMENDATIONS**

The Committee is asked to:

1. **Consider the findings and recommendations of the Zurich report.**
2. **Consider and agree the resultant action plan to address the findings of the Zurich report.**

### **Issues**

2. Risk Management is recognised as a key element of the corporate governance arrangements within an organisation and as such it is important that there is periodic review to provide assurance over the effectiveness of those arrangements.
3. As previously raised with the Audit Committee there is an inherent conflict of interest regarding Internal Audit undertaking this review that arises from the dual role of the Head of Internal Audit & Risk and therefore an external review was required.
4. The Council hold pre-allocated funds (in relation to Risk Management) with Zurich Municipal as part of its insurance arrangements and given their expertise in this area, it was agreed for them to apply a well-respected Risk Management Maturity Model (based on the model from ALARM – Association of Local Authority Risk Managers) to that review.

5. The report concludes that Central Bedfordshire has undertaken significant work in managing risk to their strategic objectives and the organisation recognises the value that an effective risk management framework can bring.
6. However, there is more than needs to be done regarding the approach to risk within Directorate areas, which is comparatively poor.
7. It is the commonly held view of risk practitioners that a strong engagement to risk management at the top of the organisation is the critical component which underpins an effective risk management framework. It is Zurich's belief that this exists amongst Senior Officers within Central Bedfordshire and this will allow the organisation to realise the opportunities outlined within this report.
8. Four priority areas are identified within the report:
  - Improve the link between strategy and risk by developing the role of the Executive and Portfolio Holders
  - Provide greater direct support to Directorate management teams to build a robust risk profile and support the embedding of effective risk management practices
  - Review Risk Management tools and processes to ensure they support Directorate risk management effectively
  - Improve the level of risk management capability and awareness across Member and Officer groups. The full Zurich report is provided at Appendix A and the resultant management action plan is provided at Appendix B.

### **Council Priorities**

9. 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**

10. Risk Management is an inherent requirement of the management role and therefore any change to those arrangements potentially impacts on all Council management. The action plan is simply looking to restore best practice and the most significant change involves the revised reporting arrangements to the Audit Committee.

### **Legal Implications**

11. The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This report is part of those arrangements and is designed to ensure that the appropriate controls are effective.
12. There are no direct legal implications arising from this report.

### **Financial and Risk Implications**

13. The Council will look to use and exhaust the pre-allocated funding held with Zurich Municipal (as the Insurance contract is ending at the end of the financial year) as part of a prioritised plan.

## **Equalities Implications**

14. 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.
15. There are no equality implications arising directly from this report. If any equality implications were found to arise during the course of any risk management activity it would be the responsibility of management in that service area to consider and address through the standard Policy and Procedural response. Equality implications are also addressed via the Corporate Equalities Action Plan.

## **Conclusion and next Steps**

16. The review undertaken by Zurich is assessed on a Maturity / Performance model and identifies a number of opportunities for the Council to make improvements in its overall approach to Risk Management at all levels, which is accepted by management and endorsed to the Committee and the Action plan at Appendix B provides the detail on next steps.

## **Appendices**

**Appendix A: Zurich Risk Management Report**

**Appendix B: Management Action Plan**

## **Background Papers**

None

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# Risk Management Health Check - Central Bedfordshire Council

Rupert Riall & Joseph White  
Strategic Risk Practice  
November 2018

**Zurich Municipal**



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# 1. Introduction & Methodology

Zurich have been commissioned by Central Bedfordshire Council to review risk management arrangements across the organisation. In order to measure the maturity of risk management a performance model has been used which breaks down risk management activity into six categories that contribute towards effective risk management arrangements within an organisation:

<b>Risk Culture &amp; Leadership</b>	Exploring the attitude that Senior Officers and Members take towards the role and priority of risk management
<b>Governance</b>	Establishing how assurance is provided to stakeholders, the effectiveness of reporting arrangements and how risk is managed within departmental areas.
<b>Risk Appetite &amp; Strategy</b>	Reviewing the extent to which the policies for risk management support the organisation and how the appetite for risk is considered and utilised
<b>Methodology</b>	Assessing whether effective risk processes and tools are in place in order to support the organisation
<b>People &amp; Training</b>	Evaluating the level of risk management skills, knowledge and capacity across the organisation
<b>Projects, Partnerships &amp; Supply Chain</b>	Determining whether there are effective arrangements for managing risks within projects and with partners and suppliers

The model enables an assessment to be made around the extent to which risk management is having a positive effect on the organisation. The five levels of maturity are as follows:



A series of observations and recommendations are outlined in the following slides for consideration.

## 2. Executive Summary

Central Bedfordshire have undertaken significant work in managing risk to their strategic objectives and the organisation recognises the value that an effective risk management framework can bring. This is evidenced by recent initiatives intended to reinvigorate operational risk management and improvements in the governance of projects.

However, the organisation's overall risk management effectiveness is fundamentally undermined by the approach to risk within Directorate areas, which is comparatively poor. This has the potential to impact on the performance of service delivery, result in key risks to the organisation not being identified or managed sufficiently and could result in a loss of stakeholder confidence should risks materialise which haven't been identified or mitigated appropriately.

It is the commonly held view of risk practitioners that a strong engagement to risk management at the top of the organisation is the critical component which underpins an effective risk management framework. It is our belief that this exists amongst Senior Officers within Central Bedfordshire and this will allow the organisation to realise the opportunities outlined within this report.

Four priority areas are outlined below:

1. Improve the link between strategy and risk by developing the role of the Executive and Portfolio Holders within the Risk Management framework to include consideration of, and input into, Strategic and Directorate Risk whilst being conscious of releasing such information into the public domain.
2. Provide greater direct support to Directorate management teams to build a robust risk profile and support the embedding of effective risk management practices.
3. Review Risk Management tools and processes to ensure they support Directorate risk management effectively.
4. Improve the level of risk management capability and awareness across Member and Officer groups, tailored to needs.



Within these key areas there are several suggested steps which could help the organisation to embed a robust risk management process and attain higher levels of maturity. The following pages provide further detail around our conclusions together with recommendations for improvement.

# 3. Observations & Recommendations

## Risk Culture & Leadership

Level 1  
Aware

Level 2  
In Development

Level 3  
Managed

Level 4  
Integrated

Level 5  
Transformational

*Exploring the attitude that Senior Officers and Members take towards the role and priority of risk management*

It was clear that a strong priority is placed by the Council on identification and management of strategic risks with quarterly reviews by CMT and more wide scale reviews on a periodic basis to consider the comprehensive internal and external risk landscape. Although not all interviewees had an awareness of the content of the strategic risks those that did felt that the register was a robust document and whilst the focus of this review is on the wider framework rather than the content of risk registers this appeared to be the case from our perspective.

The Strategic Risk Register is shared with the Audit Committee by the Head of Internal Audit & Risk on a quarterly basis but at present it is not reported to or formally discussed with the Executive. Having a shared focus on those key risks which could undermine the achievement of strategic objectives can be a powerful tool for both Senior Officers and Members to discuss, agree upon and align priorities around and the council should consider the involvement of the Leader of the Council and the Executive in the risk management framework, particularly in how it relates to the Council's strategic plan and corporate priorities.

Beyond strategic risks it is also vitally important for any organisation to have a robust process around operational risks as transparency and communication of risks which arise from service and operational delivery can support the delivery of these services and provide assurance to key stakeholders. In recent months the Head of Internal Audit and Risk has sought to reinvigorate this process and whilst some progress has been made in raising the profile and engagement in the process it is clear that the importance and value placed on Risk Management within many Directorates is not at the expected level with inconsistent levels of engagement and application. At present the Council is behind many peer organisations.

Given the priority placed on the strategic risks and the engagement of Directors within that process it is somewhat surprising that Directorate risk appears to be treated with relative apathy, with much of the work at this level being driven by risk coordinators rather than formally within a DMT environment. One potential reason for this apparent lack of engagement is the fact that Directorate risk is not a key driver for performance and is not currently formally communicated to members outside of the Audit Committee.

As discussed in relation to the Strategic Risks, the role of leading Members can be immensely beneficial in the risk management process if channelled in the correct way. Reporting of Directorate risk information to Portfolio Holders is a common practice for many Authorities and can provide a closer link with performance beyond the centralised reporting to Audit Committee. This can be achieved without releasing such information into the public domain, if required. Another consideration would be for Directorates, perhaps on a rotating basis, to attend Audit Committee in order to present their Directorate risks.

### **Recommendations:**

1. Develop the role of the Executive and Portfolio Holders within the Risk Management framework to include consideration of, and input into, Strategic and Directorate Risk, as relevant and to be aligned with existing processes such as PFMT. This can be achieved without releasing such information into the public domain, if required.
2. Address the sentiment that Directorate risk isn't seen as a relative priority, perhaps initially within a CMT meeting, in order to understand the common challenges and to agree a collaborative solution.

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# 3. Observations & Recommendations

## Governance

Level 1  
Aware

Level 2  
In Development

Level 3  
Managed

Level 4  
Integrated

Level 5  
Transformational

*Establishing how assurance is provided to stakeholders, the effectiveness of reporting arrangements and how risk is managed within departmental areas.*

Governance around the Strategic risk register appears relatively robust with the review and reporting schedule to CMT and Audit Committee an established and working process. However, there is relatively limited specific assurance activity (such as mapping of controls or formal audits) due to the potential conflicts posed by the Head of Audit also functioning as the Head of Risk. As already discussed in this report, the reporting arrangements could be developed with regards to the role Executive Members have within the process and a further area of consideration is for the sharing of the Strategic Risk Register with members of DMT's in order to inform and shape their local risk profile.

Whilst risk registers for Directorate (and many service) areas exist, it was felt that this is not an embedded process and the quality of risk information was very inconsistent across the council with examples of key risks being omitted, poor risk articulation and missing risk information. This therefore represents a limited governance and assurance environment for risks to service and Directorate objectives emanating from these areas for the council. Some interviewees felt that whilst the formal process of Risk Management wasn't particularly embedded within the Directorates, and there was limited discussions at management teams, the management of risk was still being considered within Directorate areas, albeit informally. It should be noted that this view is held for management of business risk at the operational level rather than management of fundamental operational risk such as safeguarding or health and safety, which was not the subject of this review.

It was articulated that the organisation is in a strong financial position, has had few high profile failures and has a good reputation within the sector. Some interviewees felt that this had possibly led to a degree of complacency within the organisation with regards to the formal process of risk management whilst others felt that there was reluctance in some areas to formally articulate sensitive or challenging risks which may not have a sufficient level of mitigation at present through fear of negative perceptions or additional scrutiny.

Ultimately, it appears that whilst Directorate / operational risk registers have largely been present in some format for a number of years there has been limited scrutiny, training or resource and support to develop best practice and consistency across the organisation. Whilst a network of risk coordinators has been formed across Directorate areas to support this process they have not been provided with formal training or tailored support to deliver their roles effectively. Furthermore, the risk matters forum is not as focussed as it could be upon Directorate risk, having a wider remit, and neither is it particularly well attended by Directorate risk coordinators.

### Recommendations:

3. Provide greater direct support to Directorate management teams to build a robust risk profile and support the embedding of effective risk management practices. Options include utilising external partners to facilitate workshops, developing the role and responsibilities of risk coordinators or increasing the capacity within Audit.
4. Share the Strategic Risk Register with members of DMT's and discuss key risks in order to inform local risk profiles and vice versa and enable a better quality of risk discussion
5. Revisit the format and attendance of the risk matters forum and consider placing Directorate risk at the forefront of meeting agendas.

# 3. Observations & Recommendations



## Risk Appetite & Strategy

Level 1 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
------------------	---------------------------	--------------------	-----------------------	-----------------------------

## Methodology

Level 1 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
------------------	---------------------------	--------------------	-----------------------	-----------------------------

*Reviewing the extent to which the policies for risk management support the organisation and how the appetite for risk is considered and utilised*

*Assessing whether effective risk processes and tools are in place in order to support the organisation.*

The risk management strategy document was last reviewed in 2015 and is due to be updated. This presents an opportunity to refresh the overall approach, to communicate it clearly within the organisation and make the requirements of the process more visible to all employees. Elements of the strategy which should be addressed as part of the refresh are outlined below:

The Council has a risk management system, JCAD, but many interviewees felt that the system was overly complex and not fit for the needs of the organisation. As this was posing a barrier to Directorate engagement the Head of Internal Audit and Risk, understandably, agreed that spreadsheet risk registers would be acceptable as an interim position until a more user friendly system became available.

- Include a diagram visualising the risk management process – this supports the appreciation of the full process and the steps involved – and structure the document around these steps. See appendix 3 for an example.
- Strengthen the policy statement from the Chief Executive and Chair of Audit Committee to include engagement of senior management in formal process – set expectations.
- Simplify the structure and some of the wording within the document to focus on the key areas and improve
- Be more explicit in the expectations for the risk coordinator role and responsibilities and ensure this forms part of their job description and performance objectives.

Risk Management systems can add value through improved data analysis, governance and reporting processes but a critical requirement is the usability and buy in from Directorate areas and this needs to be a key part of the planning and requirements stages for any future initiative. It is anticipated that the incoming Performance Management system may be able to offer a solution to this challenge.

The spreadsheet risk registers that have been adopted are structured around Council Priorities and Service Objectives. Whilst this is a key part to the identification of risks, their inclusion in this fashion within the risk register can serve to distract from the key risks facing service areas, which may not directly relate to articulated objectives or may cut across a number of objectives. Spreadsheets could also benefit from a simpler design and the inclusion of a risk matrix.

The Council is exploring new areas of opportunity and risk such as the crematorium and car parking commercial ventures. Whilst risk appetite is discussed within the Council it is not an area that has been formalised to date. With increasing levels of commercialism and a challenging financial climate many local authorities are formally articulating their appetite towards different categories of risk to support the alignment of risk taking across the Member and Officer populations. This is something the Council should look to consider in the future, once more fundamental aspects have been addressed.

Risk guidance has been provided with the strategy document and through a ‘refresher’ document. Whilst these serve as a useful reminder to Officers with a good understanding of Risk Management there is a need for risk tools and guidance to be strengthened, particular as there is limited central resource to support services. Therefore, the council should produce a short ‘toolkit for managers’ which can provide guidance to managers in how to identify, assess and manage risk.

### Recommendations:

6. Consider the suggestions made with regards to the risk management strategy
7. Articulate the council’s appetite to risk across a variety of risk categories to support decision making and alignment of risk taking.

### Recommendations

8. Include Directorate risk coordinators in the scoping and development of an alternative risk management system to JCAD.
9. Adapt the risk register spreadsheets as outlined. Zurich have templates risk registers that can be adapted to support this recommendation.
10. Produce a short risk management toolkit to provide guidance to managers on how to identify, assess and manage risk.

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# 3. Observations & Recommendations

## People & Training

Level 1 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
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*Evaluating the level of risk management skills, knowledge and capacity across the organisation*

Based on the discussions held and the documentation provided it appears that strategic risk is understood and managed, but given the challenges outlined previously with the reviewed Directorate risk registers it was generally felt that the expertise and capabilities to engage in the formal risk management process at the operational level was relatively low across the council compared to peer organisations.

The role of the Head of Internal Audit and Risk entails an oversight of the Risk Management framework and the reporting of risks to CMT and Audit Committee but there is very limited resource to support risk management within Directorate areas. As such, it is of vital importance that Directorate areas have a greater level of expertise to enable them to be self-sufficient. The Risk Coordinator role could be a key driver in this regard but it was felt that they require additional training to enable them to provide a more effective ‘critical friend’ type role.

Similarly, interviewees were of the view that relevant Members would benefit from training to give them an overview of risk management and an appreciation of their role within the process, particularly if the reporting of risk is extended.

### Recommendations

- 11. Formal training intervention for Risk Coordinators and relevant Members to develop their role within the risk management framework.
- 12. Thought to be given to the training needs for DMT members and risk owners within Directorate levels. Awareness training could potentially be combined with facilitated workshops referenced in recommendation 5.

## Projects, Partnerships & Supply Chain

Level 1 Aware	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
------------------	---------------------------	--------------------	-----------------------	-----------------------------

*Determining whether there are effective arrangements for managing risks within projects and with partners and suppliers*

Transformation, partnerships, outsourcing and other alternative delivery models are becoming increasingly common within Local Government and, from a risk management perspective, it important to understand how risk is to be managed within such arrangements and to ensure that appropriate risk information feeds back into the strategic and Directorate risk arenas.

The council has previously had a devolved approach to project management but recently reviewed the approach to projects and has set up two boards which provide a governance framework for ‘priority’ externally and internally focused projects respectively. This represents a significant step forward for the organisation and risk is a key feature within the project management approach at the council and risk is reported to the project boards and onwards to the CMT, as relevant, on a regular basis.

Whilst risk associated with major partners and suppliers appeared to be managed there is, comparatively, less of a structured approach and guidance on how risk with partners and suppliers is to be managed generally across the council. Given the dependence on such arrangements to deliver key services for the Council this represents an area of weakness. In isolation the management of risk with partners and suppliers would be considered to be ‘In Development’.

### Recommendations:

- 13. Develop guidance, in conjunction with the Council’s Procurement team, for managing risks within partners and suppliers adopting a segmented approach focussing on those which represent a greater level of risk to the council. Risk guidance should be part of a wider contract management approach and include topics such as communication on emerging risks and maintenance of joint risk registers.
- 14. For each of these areas, consider how risk is reported to both CMT and Directorate areas to ensure necessary risk information informs the relevant risk profiles.

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## 4. Potential Areas for Zurich Support



Within the Council’s insurance program with Zurich there is an allowance for risk management services. Outlined below are potential areas for further support from Zurich, aligned to the recommendations within this report, which would utilise this allowance at no additional cost to the Council.

Focus Area	Deliverables
Risk Management training with Risk Coordinators and Members	Development of risk management awareness and capabilities through the delivery of formal training. These interactive sessions raise awareness of risk management principles and benefits, provide an overview of the process at the organisation and outline key tools and techniques.
Risk Workshops with Operational Teams	Working with Directorate teams to identify, analyse and prioritise the key risks which could stop them achieving their objectives. The scope and extent of support can be tailored and our work typically involves facilitated workshops and a refreshed risk register as a key output.
Risk Management Policy and Tool Development	Assisting with the review and rewriting of the Risk Management policy and the development of tools such as a risk management toolkit and the spreadsheet risk registers.

# Appendix 1 – List of Interviewees

Name	Role	Directorate
Charles Warboys	Director of Resources	Resources
Clint Horne	Head of Internal Audit & Risk	Resources
Iain Berry	Assistant Director, Assets	Community Services
Tracey Harris	Assistant Director, Environmental Services	Community Services
Branwen Harris	Head of Transformation & Resources	Children's Services
Alison Hunt	Performance & Improvement Manager	Regeneration & Business

# Appendix 2 – Summary of Recommendations (1)

Section	Recommendation
Risk Culture & Leadership	Develop the role of the Executive and Portfolio Holders within the Risk Management framework to include consideration of, and input into, Strategic and Directorate Risk, as relevant and to be aligned with existing processes such as PFMT. This can be achieved without releasing such information into the public domain, if required.
	Address the sentiment that Directorate risk isn't seen as a relative priority, perhaps initially within a CMT meeting, in order to understand the common challenges and to agree a collaborative solution.
Governance	Provide greater direct support to Directorate management teams to build a robust risk profile and support the embedding of effective risk management practices. Options include utilising external partners to facilitate workshops, developing the role and responsibilities of risk coordinators or increasing the capacity within Audit.
	Share the Strategic Risk Register with members of DMT's and discuss key risks in order to inform local risk profiles and vice versa and enable a better quality of risk discussion
	Revisit the format and attendance of the risk matters forum and consider placing Directorate risk at the forefront of meeting agendas.
Risk Appetite & Strategy	Consider the suggestions made with regards to the risk management strategy
	Articulate the council's appetite to risk across a variety of risk categories to support decision making and alignment of risk taking.

# Appendix 2 – Summary of Recommendations (2)

Section	Recommendation
Methodology	Include Directorate risk coordinators in the scoping and development of an alternative risk management system to JCAD.
	Adapt the risk register spreadsheets as outlined. Zurich have template risk registers that can be adapted to support this recommendation.
	Produce a short risk management toolkit to provide guidance to managers on how to identify, assess and manage risk.
People & Training	Formal training intervention for Risk Coordinators and relevant Members to develop their role within the risk management framework.
	Thought to be given to the training needs for DMT members and risk owners within Directorate levels. Awareness training could potentially be combined with facilitated workshops referenced in recommendation
Projects, Partnerships & Supply Chain	For each of these areas, consider how risk is reported to both CMT and Directorate areas to ensure necessary risk information informs the relevant risk profiles.
	Develop guidance, in conjunction with the Council’s Procurement team, for managing risks within partners and suppliers adopting a segmented approach focussing on those which represent a greater level of risk to the council. Risk guidance should be part of a wider contract management approach and include topics such as communication on emerging risks and maintenance of joint risk registers.

# Appendix 3 – Example Process Diagram



Step	Activity
<b>Establishing the context</b>	Understanding of key outcomes and objectives for the organisation, Directorate, service or project being assessed.
<b>Risk Identification</b>	The step where risks to the organisation are identified and described.
<b>Risk Analysis</b>	Assessment of key controls and the prioritising of risks based on likelihood and impact.
<b>Risk Treatment</b>	Deciding what to do about the risks and planning further actions to reduce the risk to an acceptable level where necessary.
<b>Risk Reporting and Monitoring</b>	Risks change and so need regular monitoring and reporting to appropriate stakeholders for decision making and governance purposes.

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Appendix B

Zurich Recommendation	Comments / Agreed Action	Responsible	Target Date for Implementation
<p>1. Develop the role of the Executive and Portfolio Holders within the Risk Management framework to include consideration of, and input into, Strategic and Directorate Risk, as relevant and to be aligned with existing processes.</p>	<p>Whilst efforts will be made to progress this informally with Executive Members, under the Constitution, oversight of Risk Management is delegated to the Audit Committee and therefore it would be appropriate for the individual Directorates to brief the Audit Committee regarding their own risk information. A cyclical programme of attendance will be established in line with the requirements of the Audit Committee.</p>	<p>Audit Committee</p>	<p>July 2019</p>
<p>2. Address the sentiment that Directorate risk isn't seen as a relative priority, perhaps initially within a Corporate Management Team (CMT) meeting, in order to understand the common challenges and to agree collaborative solution.</p>	<p>Directors are clear about the importance of Risk Management and will address this directly at their Directorate Management Teams (DMT).</p>	<p>All Directors</p>	<p>April 2019</p>
<p>3. Provide greater direct support to Directorate management teams to build a robust risk profile and support the embedding of effective risk management practices. Options include utilising external partners to facilitate workshops, developing the role and responsibilities of risk coordinators or increasing the capacity within Audit.</p>	<p>CBC remains committed to the delegated / decentralised approach with the business taking full responsibility for all aspects of their own risk management and with Action 1 this will extend to reporting to the Audit Committee. A package of support will be offered to the Directorates involving a training / risk workshop session at DMT and potential for Risk Co-ordinators to be provided with further training to allow them to be the subject matter expert for the Directorate and allow them to provide more meaningful prompt and challenge in future.</p>	<p>Head of Internal Audit &amp; Risk  To co-ordinate this approach. Requires DMT engagement.</p>	<p>July 2019</p>

Appendix B

<b>Zurich Recommendation</b>	<b>Comments / Agreed Action</b>	<b>Responsible</b>	<b>Target Date for Implementation</b>
4. Share the Strategic Risk Register with members of DMTs and discuss key risks in order to inform local risk profiles and vice versa and enable a better quality of risk discussion.	Agreed as Recommendation.	All Directors	April 2019
5. Revisit the format and attendance of the risk matters forum and consider placing Directorate risk at the forefront of meeting agendas.	Agreed as Recommendation.	Head of Internal Audit & Risk	March 2019
6. Consider the suggestions made with regards to the risk management strategy.	Agreed, the Risk Management Strategy is due for updating and this will be incorporated.	Head of Internal Audit & Risk	July 2019
7. Articulate the Council's appetite to risk across a variety of risk categories to support decision making and alignment of risk taking.	This will be considered as part of the workshops referred to in action 3.	All Directors	July 2019
8. Include Directorate risk coordinators in the scoping and development of an alternative risk management system to JCAD.	Options are now being considered for the long term replacement / upgrade to JCAD. Depending on the way forward agreed in action 3, some form of business user engagement will take place.	Head of Internal Audit & Risk	March 2020
9. Adapt the risk register spreadsheets as outlined. Zurich have template risk registers that can be adapted to support this recommendation.	This will be considered as part of the workshop exercises referred to in action 3.	Head of Internal Audit & Risk	July 2019
10. Produce a short risk management toolkit to provide guidance to managers on how to identify, assess and manage risk.	This is in place on the Risk Management intranet site, some updating may be required but this needs wider promotion to raise awareness.	Head of Internal Audit & Risk	May 2019

Appendix B

<b>Zurich Recommendation</b>	<b>Comments / Agreed Action</b>	<b>Responsible</b>	<b>Target Date for Implementation</b>
11. Formal training intervention for Risk Coordinators and relevant Members to develop their role within the risk management framework.	Following the May Election, the newly composed Audit Committee will be provided with relevant training on Risk Management. Training for Risk Co-ordinators can be considered once their role has been clarified in action 3.	Head of Internal Audit & Risk	July 2019
12. Thought to be given to the training needs for DMT members and risk owners within Directorate levels. Awareness training could potentially be combined with facilitated workshops referenced in recommendation 5.	As per action 3 each Directorate will be offered the option of a facilitated DMT workshop and training session.	Head of Internal Audit & Risk	July 2019
13. Develop guidance, in conjunction with the Council's Procurement team, for managing risks within partners and suppliers adopting a segmented approach focussing on those which represent a greater level of risk to the council. Risk guidance should be part of a wider contract management approach and include topics such as communication on emerging risks and maintenance of joint risk registers.	Agreed as Recommendation.	Head of Procurement & Head of Internal Audit & Risk	October 2019
14. For each of these areas, consider how risk is reported to both CMT and Directorate areas to ensure necessary risk information informs the relevant risk profiles.	Agreed as Recommendation. This will form part of a larger piece of work also involving project risk.	Head of Procurement & Head of Internal Audit & Risk	October 2019

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## Central Bedfordshire Council

**Audit Committee**

**11<sup>th</sup> March 2019**

### **Risk Update Report**

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**Responsible Director(s):** Charles Warboys,  
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### **Purpose of this report**

1. The purpose of this report is to give an overview of the Council's risk position as at February 2019.

### **RECOMMENDATIONS**

The Committee is asked to:

1. **Consider and comment on the contents of the report.**

### **Issues**

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.

### **Strategic Risks**

3. In February all Directors were engaged to consider and refresh the current Strategic Risks and this report provides the resulting update on that risk information along with relevant mitigation. Social Care, Health & Housing Directorate are still in progress and will update for the next Committee.

4. The changes are shown in a track changes format on the Risk Register at Appendix B, key changes include:
- both *STR0035 - Failure to deliver major transformation programme within Children's Services* and *STR0038 - Ineffective partnership response to Emergency Planning* are now considered to be business as usual.
  - *STR0040 - Political and economic uncertainty arising from UK leaving EU and other significant international events*. Impact scores at both Inherent and Residual level increase to 5 and 4 respectively given the current uncertainty.
  - *STR0033 - The impact of cyber crime*. Given the persistent and increasing sophistication of threat facing all organisations, this risk was felt to be underscored at the Inherent level and therefore amended to 5x5 for both likelihood and impact.
  - *STR0042 - Failure to deliver a coherent educational landscape*. This is a new Strategic Risk relating to the Future Schools Programme.
  - *STR0041 – Failure to enact the changes we seek to move the organisation forward*. This risk was also felt to be underscored at the residual level due to the scale of change occurring within the organisation at present and therefore the likelihood rating this increased to 2.

### **Operational Risks**

5. This update to the Committee provides a summary position on operational risk based on the priority risks arising from the Directorate (DMT) Risk registers. For the Dashboard see Appendix C. The operational risk register is largely unchanged since the last quarter with one new risk within Community Services relating to the possibility of higher costs for the Waste contracts.
6. As previously reported to the Committee, as a result of the new approach there was always an expectation for iterative improvement in the operational risk information over a cycle of several quarterly updates. This will now be further strengthened by a raft of measures agreed by Management as detailed in the Action Plan for the Corporate Risk Management Review (separate agenda item at this Committee).

### **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. The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This report is part

of those arrangements and is designed to ensure that the appropriate controls are effective.

9. There are no direct legal implications arising from this report.

## **Financial and Risk Implications**

10. No direct implications arising from this report.

## **Equalities Implications**

11. 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.

12. There are no equality implications arising directly from this report. If any equality implications were found to arise during the course of any risk management activity it would be the responsibility of management in that service area to consider and address through the standard Policy and Procedural response. Equality implications are also addressed via the Corporate Equalities Action Plan.

## **Conclusion and next Steps**

13. 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

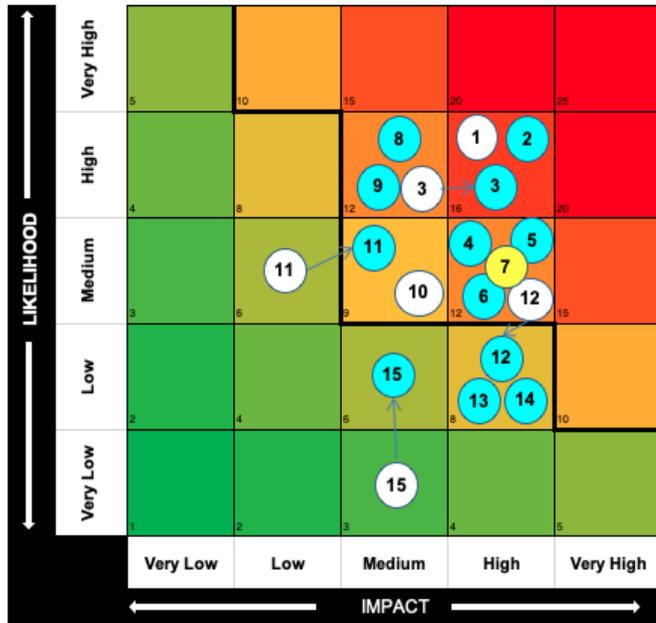
**Report author: Clint Horne**

**Head of Internal Audit and Risk**

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Strategic Risk Dashboard - February 2019



Key			2017/18				18/19	
#	Reference	Strategic Risk	June	Aug	Dec	Mar	Oct	Feb
1	STR0035	Failure to deliver major transformation programme within Children's Services.	16	16	16	16	16	
2	STR0032	Unsustainable market for social care.	16	16	16	16	16	16
3	STR0040	Political and economic uncertainty arising from UK leaving EU and other significant international events.	12	12	12	12	12	16
4	STR0027	Failure to adopt a Local Plan	16	16	16	16	12	12
5	STR0001	Continuing significant reduction in or redirection of funding due to Central Government cuts, or loss of grant or other funding e.g. Health funding, Schools' Finance Regulations.	16	12	12	12	12	12
6	STR0036	Failure to deliver social cohesion.	16	12	12	12	12	12
7	STR0042	Failure to deliver a coherent educational landscape						12
8	STR0037	Failure to support vulnerable people and families, which results in higher demand for more intensive services.	12	12	12	12	12	12
9	STR0039	Failure to manage demand for rented and specialist accommodation as a consequence of constrained housing supply.	12	12	12	12	12	12
10	STR0038	Ineffective partnership response to Emergency Planning.	9	9	9	9	9	
11	STR0033	The impact of cyber crime.	6	6	6	6	6	9
12	STR0009	Fragility / Failure of partners compromising public services and increasing costs to the Council	12	12	12	12	12	8
13	STR0008	Failure or disruption to key elements of core infrastructure (data centre, environment and networks) leading to no functionality for more	8	8	8	8	8	8
14	STR0013	Information Management: a lack of consistent information management and data accuracy across the organisation and the risk of non compliance with the Data Protection Legislation.	8	8	8	8	8	8
15	STR0041	Failure to enact the changes we seek to move the organisation forward.		3	3	3	3	6

Both STR0035 and STR0038 are now considered to be business as usual.

STR0040 - In the current uncertain circumstances, this risk is felt to have increased.

STR0033 - Given the persistent and increasing sophistication of threat facing all organisations, this risk is felt to have increased.

STR0042 - New Strategic Risk relating to the Future Schools Programme

STR0041 - The scale of change occurring within the organisation at present is felt to increase this risk.

APPENDIX A

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## Central Bedfordshire Council - Strategic Risk Register

Risk Ref	Risk Owner	Risk Manager	Risk Review Date	Inherent			Type	Nature of Risk	Description	Consequences	Mitigating Actions Already Underway	Residual			Status Change Since Last Report	Target Residual Risk Exposure	Further Action Planned or Other Comments	
				Impact	Likelihood	Exposure						Impact	Likelihood	Exposure				
STR0001	Charles Warboys	Charles Warboys	Feb 2019	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). <b>Fairer Funding Review, Business Rates Retention</b> £13.8m savings planned for 2018/19. ( <b>£14.8M in 2019/20</b> ) With the switch of funding streams to other bodies, there is also a risk of failing to exert appropriate influence on decision making bodies who are receiving redirected funding e.g. SEMLEP. With the introduction of pooled funding for Better Care Plans there is a risk of failing to deliver the required objectives. There is a potential risk of clawback arising from the introduction of integrated budgets within NHS. Additional responsibilities may be transferred to local government without adequate additional resources. General uncertainty around future government policies e.g. • Impact of New Living Wage • Impact of Continuing Healthcare decisions on both Children and Adults • Issues relating to Housing Need, including Homelessness and Social Housing Rents • Certain Loss of RSG • Impact of change in Business Rate Retention • Better Care Fund • Risks/opportunities arising as a result of the recent "Brexit" referendum, including uncertainty over future European funding • NHS changes may result in significant cost shunting.	1. Financial loss 2. Pressures on CBC Budgets 3. Reputational damage 4. Non delivery/ reduction of services and/or reduction in reserves to fund services 5. Difficulties in planning ahead	1. There is robust monthly reviews of budgets including the proposed savings 2. The EIG (Efficiencies Implementation Group) meets monthly to review progress of proposed savings ( <b>2018/19</b> ) and <b>replaced by the MTFP Efficiencies Workstream reporting to the IE&amp;MB in 2019/20</b> 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 16. <b>Building up reserves</b>	4	3	12		↔	12	Continue with current mitigations.
STR0008	Marcel Coiffait	Emel Morris	Feb 2019	5	4	20	ICT Systems	ICT Failure	Failure or disruption to key parts of the Council's ICT systems as a result of but not limited to: 1. Complexity of ICT 2. Dependence on third party <b>suppliers and systems.</b> 3. In-house capacity and capability 4. <b>Undeclared and unmanaged end points</b>	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. <b>Further consideration is being given to the current disaster recovery plan and ensuring that systems / procedures are robust and ICT failures are minimised.</b> 2. <b>Daily monitoring of integration of systems</b> 3. <b>Regular patching schedule</b> 4. <b>Continuing to develop strong relationships with suppliers</b> 5. <b>Ongoing work to consolidate and simplify IT systems</b>	4	2	8		↔	8	1. Architectural review of core infrastructure. 2. <b>Development of roadmaps for core ICT systems</b> 3. Explore further opportunities to source expertise from third parties. 4. Participate in corporate approach to business continuity planning to minimise impact of IT failure or disruption 5. Data Centres are being reconfigured to a more highly secure configuration. Ongoing work to consolidate and simplify IT systems.
STR0009	Richard Carr	Richard Carr	Feb 2019	4	4	16	Partners	Fragility/ 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.	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	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	2	8		↓	8	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	Marcel Coiffait	Emel Morris	Feb 2019	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 Legislation	1. <b>Financial implications</b> 2. <b>Reputational damage</b> 3. <b>Non-compliance</b> 4. <b>Inefficiency</b>	Further update of retention schedules across the council to meet legislative / operational retention requirements	4	2	8		↔	6	1. Review and update the ICO audit plan 2. Annual Corporate wide Data Protection training - monitoring of staff participation reported to Information Assurance Group (IAG) 3. A review of information gathered through the PSN code of connection on the Council's holdings which identifies information owners

Central Bedfordshire Council - Strategic Risk Register																	
Risk Ref	Risk Owner	Risk Manager	Risk Review Date	Inherent			Type	Nature of Risk	Description	Consequences	Mitigating Actions Already Underway	Residual			Status Change Since Last Report	Target Residual Risk Exposure	Further Action Planned or Other Comments
				Impact	Likelihood	Exposure						Impact	Likelihood	Exposure			
STR0027	Jason Longhurst	Jason Longhurst	Feb 2019	4	5	20	Community	Failure to deliver planned Sustainable Development	Failure to adopt a Local Plan and Community Infrastructure Levy (CIL).	1. Financial loss 2. Infrastructure, housing and employment requirements not delivered 3. Reputational loss 4. Speculative Development	1. Project Board established PID approved for delivery. 2. Counsel advice to be sought in relation to submission documents. 3. Draft (Regulation 18) Plan 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	3	12	↔	8	1. Plan submitted to Secretary of State on 30th April 2018 2. Provisional hearing dates for early April & May 2019 for Inspector's 'Examination in Public.' 3. Plan to be adopted by Council in spring winter 2019.
STR0032	Julie Ogley	Julie Ogley	Feb 2019	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.	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	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	1. Market position statement planned for vulnerable adults 2. Collaborative regional approach, to include operating model 3. Consideration of wider support to care market 4. Establish the approach to fee setting 5. Work is underway to develop Market Position Statements for Vulnerable People (Learning Disability, Mental health and Physical Disability). 6. Further investment in the Bedfordshire Care Association, as part of iBCF
STR0033	Marcel Coiffait	Emel Morris	Feb 2019	5	5	25	Cyber Security	The impact of cyber crime.	The protection of IT systems from theft or damage to their hardware, software or electronic data, as well as from disruption or misdirection of the services provided or to the information held	1. Full or partial loss of IT systems 2. Full or partial loss of data 3. Degradation in performance 4. Financial loss 5. Reputational damage 6. Reduced customer service 7. Inefficiency 8. Non compliance with data protection legislation	1. Member of Cyber Security Sharing Protocol (gov.) which provides advice on reducing the risk of cyber crime 2. Information Security Policy in place 3. Information Security statement in place. 4. Data protection policy in place. 5. Patching regime in place. 6. Virus controls on devices including mobile device management 6. Network user access scanning 7. Intrusion detection system in place 8. Information security training includes cyber crime risks 9. Regular system of back-ups of key systems / data	3	3	9	↔	6	1. Ongoing development of internal IT assurance processes 2. Information security training to be expanded to include cyber crime risks 3. Policy for privileged user access to be developed 4. Shadow image of files in Cloud to sit outside network 5. Full participation in Warn and Inform group 6. Engagement with LGA and NCSC for guidance and support 7. Working towards ISO27001 principles, resources to be commissioned to support this work
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 Coiffait / Jason Longhurst	Jeanette Keyte / Andrew Davie	Feb 2019	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 12. S106 funded Community Buildings / Facilities transferred to T&PCs, (or in discussion) e.g. Stotfold, Silsoe, Biggleswade, Cranfield, Marston, Potton and Houghton Regis. 13. Audit of community facilities underway to inform future provision and S106 / CIL investment and future policy / technical guidance. (Piloting a holistic place based approach in Houghton Regis looking at integrating existing and new communities.) 14. Cabinet have agreed a proposed way forward for dealing with issues at a particular G&T site in CBs. The working group will develop an initial outline of work needed. 15. Police Unauthorised Encampment Procedure now in place and being worked to. Some gaps identified and discussions will raise these with police colleagues.	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

Central Bedfordshire Council - Strategic Risk Register

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				Impact	Likelihood	Exposure						Impact	Likelihood	Exposure			
										16. Rural Policing Team now in place and CB Officers will engage particularly around G&T issues.							
STR0037	Julie Ogley/Sue Harrison	Julie Ogley/Sue Harrison	Feb 2019	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.	1. Increased homelessness 2. Lack of access to suitable accommodation <del>3. Increased child and family poverty</del> 4. "Two Tier" community 5. Increased demand upon CBC <del>6. Increase in number of children taken into care.</del> 7. Negative health, well being and emotional impacts. 8. Increase in risky behaviours (lifestyles) 9. Capping of Local Housing Allowance. <del>10. More Children in Care</del> <del>11. More Children in Criminal Justice System</del> 12.	SCHH: 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" <del>5. Invested in Credit Unions / new publicity has increased activity</del> <del>6. Implement the Sheltered Housing Review, including de-designation of some schemes to meet the needs of other client groups-</del> Rightsizing approach established with clear targets within the People scorecard, so as to make best use of stock 7. Tenancy Sustainment approach, supporting tenants earlier to increase rent collection and avoid crisis/support 8. Work is underway to develop right sizing alternative accommodation CS: <del>9. Transformation plans include managing demand and keeping children safe at home.</del> 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	SCHH: 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 Service 5. Housing support into Hospitals and health settings  CS: 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/	Sue Childerhouse / Mark Conway	Oct 2018	4	4	16	Partnerships	Ineffective partnership response to emergency planning.	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;	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.	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 some of the subs.	3	3	9	↔	9	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

## Central Bedfordshire Council - Strategic Risk Register

Risk Ref	Risk Owner	Risk Manager	Risk Review Date	Inherent			Type	Nature of Risk	Description	Consequences	Mitigating Actions Already Underway	Residual			Status Change Since Last Report	Target Residual Risk Exposure	Further Action Planned or Other Comments	
				Impact	Likelihood	Exposure						Impact	Likelihood	Exposure				
	Muriel Scott	Muriel Scott									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. 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	Feb 2019	3	5	15	Financial/Economic	Inability to deliver accommodation for vulnerable and homeless people	Uncertain national policy; singular focus on Starter Homes; also unpredictable change: rent reduction; LHA caps, result in the supply of rented and specialist accommodation being reduced and unaffordable. The new legislation, (Homelessness Reduction Act 2017), is likely to add to the numbers of people it is required to accommodate which will need to be resourced.	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	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	
STR0040	Richard Carr	Richard Carr	Feb 2019	5	4	20	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. <b>Including potentially the EU not recognising the UK as an adequate 3rd country risking the flow of information between the UK and the EU</b>	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. 8. Loss of Business critical systems 9. Poor performance 10. Reduced customer service 11. Loss of data 12. Reduced staff motivation 13. Reputational damage 14. Inefficiency	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 9. CMT Gold Command arrangements in place meeting 2 weekly along with Tactical Group meeting regularly. 10. Council wide review of Business Continuity Arrangements underway and to be completed by March.	4	4	16		↑	12	1. Vendor Discussions started surrounding their approach towards hosting arrangements of business critical systems 2. Financial or Contractual implications to be reviewed updated
STR0041	Richard Carr	Georgina Stanton / Vikki Chapman	Feb 2019	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. <b>Head of Portfolio Management appointed Dec 2018 to drive required improvement in Programme / Project governance and management arrangements.</b>	3	2	6		↑	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

Central Bedfordshire Council - Strategic Risk Register

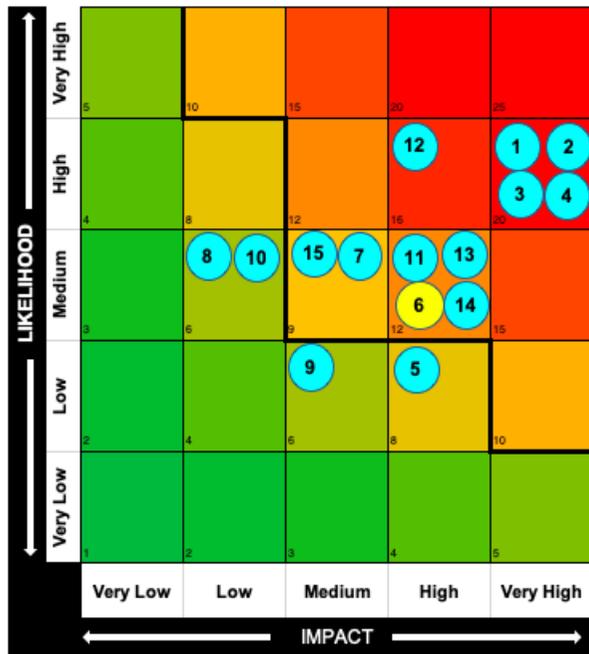
Risk Ref	Risk Owner	Risk Manager	Risk Review Date	Inherent			Type	Nature of Risk	Description	Consequences	Mitigating Actions Already Underway	Residual			Status Change Since Last Report	Target Residual Risk Exposure	Further Action Planned or Other Comments
				Impact	Likelihood	Exposure						Impact	Likelihood	Exposure			
STR0042	Sue Harrison	Peter Fraser	Feb 2019	4	4	16	Schools for the Future Programme	Failure to deliver a coherent educational landscape in Central Bedfordshire that can accommodate the expected increase in pupil numbers and lead to the best educational outcomes	Significant housing growth is expected in line with the Local Plan requiring an additional 2,000 school places each year until 2035.	<p>The Council is unable to fulfil its statutory duty to ensure sufficient school places for children in Central Bedfordshire.</p> <p>Change is uncoordinated - which could impact on the viability of other schools in the area.</p> <p>Complicated educational pathways and a complex educational landscape, which is confusing for parents and children.</p> <p>Reputational damage to the Council.</p> <p>Educational outcomes suffer.</p>	<p>Engagement with key stakeholders and communities to co - design a plan with individual schools and clusters.</p> <p>Project governance include a Schools for the Future Project Board, chaired by the Chief Executive, and working in Quadrants with the External Delivery Board.</p> <p>An Operational Delivery Board with cross cutting representation from key colleagues across the Council.</p> <p>Each cluster plan is supported by a detailed analysis of need / housing growth in the local plan - ensuring it is evidence led.</p> <p>Regular briefings and communication with Members.</p> <p>Funding from a variety of sources including S106, Basic Need Grant, capital receipts, estate re-configuration, Free School bids, HIF funding and other sources</p>	4	3	12			Change will be phased over a 10 - 20 year period in line with growth. Engagement continues with each cluster on the development of plans.

Key:  
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 Risk Removed from Strategic Risk Register

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APPENDIX C

Operational Risk Dashboard - February 2019



Key:

- New Risk
- Current Position

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	8
6	Com006	Higher costs for Waste contracts	12
7	Com007	Future Waste Collection and Street cleansing contracts not in place	9
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	16
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

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

## Risk Scoring (Impact)

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

## Central Bedfordshire Council

**AUDIT COMMITTEE**

**11<sup>th</sup> March 2019**

### **Tracking of Internal Audit High Priority Recommendations/Agreed actions**

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**Responsible Director(s):** Charles Warboys, Director of Resources  
([charles.warboys@centralbedfordshire.gov.uk](mailto:charles.warboys@centralbedfordshire.gov.uk))

#### **Purpose of this report**

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

#### **RECOMMENDATIONS**

The Committee is asked to:

1. Consider and comment on the contents of the report.

#### **Issues**

#### **Background**

2. One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment.
3. To further strengthen the Audit Committee's role in monitoring the internal control environment within the Council, Internal Audit has developed a system for monitoring and reporting progress against high priority recommendations/agreed actions arising from internal audit inspections.
4. This paper presents the regular summary of high priority recommendations/agreed actions made to date, along with the progress made against implementation of those recommendations/agreed actions, as at the end of January 2019.

### **Tracking High Priority Recommendations**

5. Currently, there are 13 high priority recommendations/agreed actions being monitored. Details are provided at Appendix A.
6. Wherever possible evidence has been obtained to verify the implementation of recommendations. However, in some instances, verbal assurance has been obtained. Where this is the case, further evidence will be obtained to support the assurances given.
7. Progress will continue to be monitored. The follow up of audit recommendations forms an integral part of the fundamental system audit reviews.

### **Future Monitoring**

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

### **Council Priorities**

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

### **Corporate Implications**

#### **Legal Implications**

10. The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This report is part of those arrangements and is designed to ensure that the appropriate controls are effective.
11. There are no direct legal implications arising from this report.

#### **Financial and Risk Implications**

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

#### **Equalities Implications**

13. 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.

14. There are no equality implications arising directly from this report. If any equality implications were found to arise during the course of any audit activity it would be the responsibility of management in that service area to consider and address through the standard Policy and Procedural response. Equality implications are also addressed via the Corporate Equalities Action Plan.

## **Conclusion and next Steps**

15. Further work is required to ensure that the outstanding recommendations are implemented and to monitor additional recommendations made during the year.
16. This continuous tracking and reporting of progress on Internal Audit inspections to the Audit Committee ensures that the Committee has the means to monitor how effectively the high priority recommendations/agreed actions have been implemented.

## **Appendices**

Appendix A – Details of outstanding High Priority recommendations/agreed actions that remain outstanding

Appendix B – Summary of High Priority Internal Audit recommendations/agreed actions as at end of January 2019

## **Background Papers**

None.

**Report author(s): Clint Horne**

**Head of Internal Audit and Risk**

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**Details on those recommendations outstanding****Social Care, Health and Housing****Housing Tenancy Management**

<b>Status – Amber</b>
<p><b>Recommendation R1:</b> The Director of Social Care, Health and Housing and the Director of Regeneration and Business should clarify how housing responsibilities are allocated across their directorates. This should include the responsibility for and ownership of the Tenancy Strategy.</p>
<p><b>Rationale for Recommendation:</b> The Housing Tenancy Strategy was drafted by the Assistant Director - Housing Services with an Executive Foreword jointly signed by the Executive member with responsibility for Social Care, Health and Housing and the Director of Social Care Health and Housing (SCHH). It was approved by the Executive in March 2013 however during the course of this review it became apparent that responsibility for and ownership of the strategy is unclear. Discussions between the Director of Social Care, Health and Housing and the Director of Regeneration and Business confirmed that housing responsibilities lie across 2 Directorates, SCHH and Regeneration and Business, and that both Directors will clarify how this will be addressed.</p>
<p><b>Target Dates:</b> November 2015, March 2016 (revised), August 2016, October 2017, December 2018, November 2019</p>
<p><b>Current Position and Explanation for Slippage:</b> It was previously reported that Regeneration and Business restructure was out to consultation and that the recommendation would be addressed once this was finalised. The restructure was finalised, and positions were advertised. These included the position of Housing Strategy &amp; Implementation Manager which has now been filled.</p> <p>The immediate task for the incumbent was to develop a Housing Strategy which will set the strategic direction for all other procedures that may sit underneath it. This will be completed by April 2019.</p> <p>It is important to set this strategic context at a high-level before developing more detailed guidance. The development of the Housing Tenancy Strategy is planned into the Housing Strategy &amp; Implementation Manager's workload however it is not an immediate priority at this stage as he will now be supporting the Local Plan examination from April 2019. An estimated target date for completion of the Housing Tenancy Strategy is now November 2019. This will involve running a consultation period among the local housing providers over the summer.</p>

<b>Status – Amber</b>
<b>Recommendation R2:</b> A Monitoring Group should be established, with clear terms of reference, to monitor and review the effectiveness of the Tenancy Strategy.
<b>Rationale for Recommendation:</b> Each Provider is responsible for its own individual tenancy policies, as well as arrangements for review and appeals. However, the Tenancy Strategy proposed that the Council establish a monitoring group consisting of representatives of registered providers and other key stakeholders. This group is meant to support the Council in its role of monitoring and reviewing the effectiveness of this Strategy but the group is yet to be set up.
<b>Target Dates:</b> As above.
<b>Current Position and Explanation for Slippage:</b> This will be addressed as part of the action plan being developed in response to the earlier recommendation.

**Community Services**

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

<b>Status – Amber</b>	
<b>Recommendation R3:</b> A Corporate Landlord approach should be adopted by consolidating compliance assurance responsibilities. This will unify professional and technical resources and avoid duplication of resources.	
<b>Rationale for Recommendation:</b> At the time of the audit, there was no mechanism in place to monitor the compliance level of all corporate properties. The Facilities Management Team monitor 61 properties, however a further 80 properties are managed at directorate level. The Facilities Management Team is therefore unable to vouch for their compliance.	
<b>Target Dates:</b> June 2017, see below.	
<b>Current Position and Explanation for Slippage:</b> CMT have agreed the Corporate Landlord model will be adopted. Currently, the Assets team are working on a dual approach to Corporate Landlord; the two work streams are: -	
<p><b>1. Implementation of the Corporate Landlord function.</b> Implementation of Corporate Landlord is progressing well and is programmed to go live in April 2019. Corporate Landlord strategic oversight has recently moved from the Asset Management Group to the Project 6 Million board.</p> <p>All new buildings that have opened since September 2017 have moved into the Corporate Landlord model; these buildings are Houghton Hall Visitor Centre, Thorn Turn Depot and Sandy Depot.</p> <p>Assets are currently procuring all new contracts relating to Corporate Landlord Services. These contracts are anticipated to go live on 1<sup>st</sup> April 2019.</p>	
<p><b>2. Ensuring the Council's non-housing estate is compliant for building Health and Safety.</b> Compliance is being managed centrally for all non-housing properties on a single tracker. The tracker is currently an excel document, but Assets are working with their software provider to move this into their Property Management software.</p> <p>The task force has now completed the review of compliance on all four-phases identified in the below table. Assets are now working through the findings from the review.</p>	
<b>Phase</b>	<b>Type of Building</b>
One	Corporate buildings, community schools, voluntary-controlled schools, maintained nursery schools, pupil referral units, pre-schools and children's centres
Two	Single academy, foundation and voluntary-aided schools
Three	Academies, free schools, community technical colleges and other independent schools
Four	Other buildings not managed by Assets e.g. leisure centres

<b>Status - Amber</b>
<p><b>Agreed Action R4:</b> All external contracts (effective from September 2019) are up for tender for a 3-year contract as part the efficiency plan, previously SEN routes were renewed annually). When contracts are awarded in September 2018, a letter will be sent to the companies to confirm their responsibility to provide the council with all their drivers and passengers assistants' details of their DBS / badge expiry dates annually. This is a similar process to that carried out by Taxi Licensing Team to monitor badges' expiry dates.</p> <p>School Transport Team will eventually undertake more random visits to schools to monitor contract services and verify badges are up to date.</p>
<p><b>Rationale for Action:</b> A lack of independent check raises the risk of issues related to DBS validity not being detected. Regular random check of badges is a deterrent to use of unauthorised drivers by contractors.</p>
<p><b>Target Dates:</b> 30 September 2018</p>
<p><b>Current Position and Explanation for Slippage:</b> Progress is being made towards implementation. More random school visits are planned for Sept 19 onwards. The schools transport team are liaising with the Licensing team to progress DBS badge monitoring. A letter is about to be sent to firms requiring the details of DBS badges to be returned by March 2019.</p>

<b>Status - Amber</b>
<p><b>Agreed Action R5:</b> Current DPS Contract Terms and conditions will be reviewed and will seek advice from Legal on changes to T&amp;C's.</p>
<p><b>Rationale for Action:</b> A lack of a cap on excess charges for route changes can lead to excessive charges which may have to be accepted as negotiating a new contract is cost and time prohibitive.</p>
<p><b>Target Dates:</b> 31 August 2018</p>
<p><b>Current Position and Explanation for Slippage:</b> Letter to firms will set out a cap for route change charging increases after which the route will be retendered.</p>

<b>Status - Green</b>
<p><b>Agreed Action R6:</b> The Staff will be reminded again not to use their personal drive for storing School Transport data, if required access will be removed. Management will also ensure that regular housekeeping on information held by the Team is undertaken. Will verify the retention period for keeping previous student's records.</p>
<p><b>Rationale for Action:</b> Local drives should not be used to save customer information as this affects service resilience and compliance with CBC IT Policy.</p>
<p><b>Target Dates:</b> 30 September 2018</p>
<p><b>Current Position and Explanation for Slippage:</b> Implemented.</p>

<b>Status - Amber</b>
<p><b>Agreed Action R7:</b> New contracts (effective from September 2019) will be awarded in Sept. 2018, a letter will be sent to all successful contractors of their responsibility to confirm that that relevant staff have received appropriate training in data handling/ GDPR. Will consult Sean Dykes, Information Security Manager of what is required ref. GDPR.</p>
<p><b>Rationale for Action:</b> The Council should ensure that all contractor staff have received GDPR training as sensitive personal information may be processed by external contractors.</p>
<p><b>Target Dates:</b> 30 September 2018</p>
<p><b>Current Position and Explanation for Slippage:</b> The letter to firms will request confirmation that GDPR has training has been received by all relevant staff.</p>

**Children's Services**

**Clipstone Brook Lower School**

<b>Status - Green</b>
<b>Agreed Action R8:</b> All appointments and offers of employment should be subject to completion of pre - employment checks in accordance with CBC Code of Practice Recruitment and Selection and Safer Recruitment.
<b>Rationale for Action:</b> There was a delay in obtaining references and other employment checks for three staff appointments.
<b>Target Dates:</b> With immediate effect
<b>Current Position and Explanation for Slippage:</b> Implemented

**Houghton Regis Primary School**

<b>Status - Amber</b>
<b>Agreed Action R9:</b> <ol style="list-style-type: none"> <li>1. School to complete the planned closure of the Reserve Account, with the balance in the account being transferred to the School Fund account.</li> <li>2. School to complete the planned closure of the Before and After school club Account, with the balance in the account being transferred to the main School bank account.</li> <li>3. School to consider closing the School Fund account, with the balance in the account being transferred to the main School bank account.</li> <li>4. All actions completed to be reported to the full Governing Body.</li> </ol>
<b>Rationale for Action:</b> A bank account was discovered during the audit that senior and finance staff were unaware of.
<b>Target Dates:</b> 31 December 2018

<b>Status - Green</b>
<b>Agreed Action R10:</b> The school to amend access rights to the RM finance system so that the administrator is independent of finance operational tasks, and access rights configured in a way that ensures that no one individual can carry out all the key steps in accounting processes.
<b>Rationale for Action:</b> The Office Manager had administrator rights to the RM finance system and the Finance and Personnel Manager had full access rights which is a lack of segregation of duties leading to the risk of unauthorised transactions to occur.
<b>Target Dates:</b> 31 December 2018
<b>Current Position and Explanation for Slippage:</b> Implemented 6.9.18

**Status - Amber****Agreed Action R11:**

- a. The Governing Body should record its approval of the school's budget plans in the meeting minutes.
- b. Written financial statements and reports should be presented to the Governing Body (and/or Finance Committee) on a termly basis.
- c. The budget on the school's accounting system should reflect the latest budget agreed by the Governing Body.
- d. Monthly Income and Expenditure Accounts and cashflow forecasts should be submitted to the LEA.

**Rationale for Action:**

- The Governing Body's approval of the 2017/18 budget plan was not recorded in the meeting minutes. In accordance with Financial Regulation for Schools paragraph 36 "Each school is required to submit a multi-year budget plan, **approved and minuted by the Governing Body**, to the Authority no later than 1 May of each year."
- No written financial reports have been presented to the Governing Body in the year. In accordance with Financial Regulation for Schools paragraph 27 "Headteachers are also responsible for providing regular written financial statements and reports to the Governing Body". The audit identified a duplicate posting of some £1m to the "Funds delegated by the LEA" income account demonstrating the lack of budget monitoring. This entry has now been amended.
- The budget recorded on the schools accounting system (SIMS) at the visit date did not reflect the changes made to budget during the year. In accordance with Financial Regulation for Schools paragraph 41 "The School's accounting system must properly and fully reflect the annual budget as approved by, or amended by, the Governing Body".
- Monthly Income and Expenditure Accounts have not been submitted to the LEA and the monthly cashflow forecasts submitted are incomplete. In accordance with Financial Regulation for Schools paragraph 28 "Headteachers shall ensure that monthly budget monitoring, period end and year end deadlines as requested by the Chief Finance Officer are completed in accordance with procedures and time scale set on the Bank Account Scheme for Schools – Appendix 1".

**Target Dates:**

31 July 2018

**Current Position and Explanation for Slippage:**

Follow up currently in progress

**Corporate Parenting Expenses**

<b>Status – Amber</b>
<p><b>Agreed Action R12:</b> A procedure notice will be sent out to all of the team to remind that all travel and subsistence should be claimed through payroll.</p> <p>Any travel and subsistence claims made via petty cash or imprest will be refused.</p>
<p><b>Rationale for Action:</b> Staff were claiming travel and subsistence expenditure from petty cash or bank account imprest.</p>
<p><b>Target Dates:</b> 28 February 2019</p>
<p><b>Current Position and Explanation for Slippage:</b> To be followed up in March 2019</p>

**Corporate Services**

**Officers Declaration of Interests and Hospitality**

<b>Status - Green</b>
<p><b>Agreed Action R13:</b> An annual exercise should be undertaken to ensure that all CBC staff are reminded of the requirement to declare potential and actual interests.</p>
<p><b>Rationale for Action:</b> NFI matches found that several staff had not disclosed directorships of limited companies and had not declared spouses or partners that hold directorships with CBC suppliers. When contacted some of these staff responded that they were not aware of the requirement to declare.</p>
<p><b>Target Dates:</b> 31 October 2018</p>
<p><b>Current Position and Explanation for Slippage:</b> Implemented</p>

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## Summary of Outstanding High Priority Internal Audit recommendations as at End March 2018

Name	Date of Report	Original Expected completion of all Recommendations (Where identified)	Number of Recs	Completed GREEN	Ongoing - On schedule for completion with set timescales GREEN	Work in Progress - Target missed AMBER	No work started - target missed RED	
<b>SOCIAL CARE, HEALTH &amp; HOUSING</b>								
Housing Tenancy Management	04/09/2015	30/11/2015	2			2		Recs 1-2
<b>COMMUNITY SERVICES</b>								
Assets Compliance	08/12/2016	30/06/2017	1			1		Rec 3
School Transport	20/09/2018	31/12/2018	4	1		3		Recs 4-7
<b>CHILDREN'S SERVICES</b>								
Clipstone Brook Lower School	11/06/2018	31/10/2018	1	1				Rec 8
Houghton Regis Primary School	12/12/2018	31/05/2019	2	1		1		Recs 9-10
Swallowfield Lower School	13/06/2018	31/10/2018	1			1		Rec 11
Corporate Parenting Expenses	24/01/2019	31/03/2019	1			1		Rec 12
<b>CORPORATE SERVICES</b>								
Ethics - declaration of interests	20/07/2018	31/10/2018	1	1				Rec 13
<b>Total</b>			<b>13</b>	<b>4</b>	<b>0</b>	<b>9</b>	<b>0</b>	

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## Central Bedfordshire Council

**AUDIT COMMITTEE**

**11<sup>th</sup> March 2019**

### Internal Audit Progress Report

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**Responsible Director(s):** Charles Warboys, Director of Resources  
([charles.warboys@centralbedfordshire.gov.uk](mailto:charles.warboys@centralbedfordshire.gov.uk))

### Purpose of this report

1. 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.

### Issues

#### 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 January 2019.

## **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 are also being 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 complete and the remainder are 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. The following audits have been completed since the last update:
  - Houghton Regis Lower School (Final Report – Limited Assurance)
  - Accounts Payable (Final Report – Adequate Assurance)
  - Accounts Receivable (Final Report – Adequate Assurance)
  - Main Accounting System (Final Report – Adequate Assurance)
  - Housing Benefits Key control walkthrough (Briefing Note only – no opinion)
  - NDR (Final Report – Adequate)
  - Housing Rents (Final Report – Substantial)
  - Capital Programme (Final Report – Adequate)
  - Houghton Conquest Lower School (Final Report – Substantial)
  - Corporate Parenting (Final Report – Adequate)
  - School Themed Review – School Financial Regulations (Briefing note – Adequate)
  - Homelessness (Final Report – Adequate)
  - Procurement (Draft Report – Adequate)
  - Slip End Lower School (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 and progress on those which have commenced is shown within Appendix A.

## 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 – 31<sup>st</sup> January 2019

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	66%	67%	76%	80%
KPI02	Percentage of the number of planned reviews completed.	52%	67%	72%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	71%	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.	74%	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.	86%	80%	93%	80%
KPI06	Overall customer satisfaction.	86%	80%	91%	80%

## 12. Analysis of indicators:

- KPI01 - As at the 31<sup>st</sup> January, Internal Audit has delivered a total of 827 productive audit days, which is 66% of the total 1260 planned days for the year.
- KPI02 - This KPI measures planned work completed and currently 50% of the plan is complete, which includes the finalisation of work in progress at the start of the year.
- KPI03 - 71% 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 74% 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 86%.
- KPI06 – A ‘satisfactory’ response to all questions would provide an average score of 75%.  
14 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. The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. An adequate system of internal audit is inherent. This report demonstrates how the Council is fulfilling its obligations in this regard.
15. There are no direct legal implications arising from this report.

## **Financial and Risk Implications**

16. 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**

17. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimization 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.
18. There are no equality implications arising directly from this report. If any equality implications were found to arise during the course of any audit activity it would be the responsibility of management in that service area to consider and address through the standard Policy and Procedural response. Equality implications are also addressed via the Corporate Equalities Action Plan.

## **Conclusion and next Steps**

19. 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.
20. A further update on audit progress will be presented to the next Audit Committee.

## **Appendices**

### **Appendix A: Progress on Audit Activity**

## **Background Papers**

None

**Report author(s): Clint Horne**

**Head of Internal Audit and Risk**

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Priority	Audit Title	2018/19 Days Risk	Position as at January 31st Opinion
<b>Audits in Progress at Year End</b>			
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 N/A
High	Academy of Central Bedfordshire	Consultancy	Complete N/A
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	Beaudesert Lower	Governance/Operational	Complete Adequate
High	SAP Access and Security	STR0008/STR00033	Complete Limited
Medium	Houghton Regis Lower	Governance/Operational	Complete Limited

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

<b>Assurance Audits - Corporate</b>			
Medium	Data Quality	15 STR0013	Field Work Started
Medium	Information Governance	20 STR0013	Field Work Started
Medium	Ethical Governance	20 Governance	Cancelled
Medium	Corporate Governance Reviews	15 Governance	Cancelled
Medium	Contracts Management	25 Governance	Field Work Started
Medium	Partnership Governance	15 Governance/STR0009	Cancelled
Medium	Risk Management (External Review against Performance Model)	0 Governance	Complete N/A

<b>Assurance Audits - Resources</b>			
Medium	Budgetary Control	15 STR0001	Cancelled
Medium	Debt Management Arrangements	15 STR0001	Cancelled
Medium	Capital Programme	15 STR0001	Complete Adequate
Medium	Learning & Development Centralisation	15 Operational	Field Work Complete



## Central Bedfordshire Council

Audit Committee

11 March 2019

### Work Programme

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**Responsible Director:** Charles Warboys,  
([charles.warboys@centralbedfordshire.gov.uk](mailto:charles.warboys@centralbedfordshire.gov.uk))

**This report relates to a decision that is Non-Key**

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#### **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**

<b>2018/19 Municipal Year</b>	
19 November 2018	<ul style="list-style-type: none"> <li>• Presentation on LGSS Law Ltd (CW)</li> <li>• Annual Audit Letter for the Year ended 31 March 2018 (NH)</li> <li>• Update to Internal Audit Charter (CH)</li> <li>• Risk Update Report (CH)</li> <li>• Internal Audit Progress Report (CH)</li> <li>• Work Programme (LM)</li> </ul>
11 March 2019	<ul style="list-style-type: none"> <li>• Certification of Claims and Returns Annual Report 2017/18 (NH)</li> <li>• External Audit Planning Report (NH)</li> <li>• Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments (GM)</li> <li>• Local Government Pension Scheme Update (DG)</li> <li>• Statement of Accounts 2018/19 (SP)</li> <li>• Report on Corporate Risk Management Review (CH)</li> <li>• Risk Update Report (CH)</li> <li>• Tracking of Internal Audit Recommendations (CH)</li> <li>• Internal Audit Progress Report (CH)</li> <li>• Work Programme (LM)</li> </ul>
<b>2019/20 Municipal Year</b>	
29 May 2019	<ul style="list-style-type: none"> <li>• CBC Unaudited Statement of Accounts 2018/19 (presentation) (CW/DG)</li> <li>• Annual Governance Statement 2018/19 (SR)</li> <li>• 2018/19 Internal Audit Annual Audit Opinion (CH)</li> <li>• LGSS Law - Update (presentation) (CW)</li> <li>• Tracking of Internal Audit Recommendations (CH)</li> <li>• Internal Audit Progress Report (CH)</li> <li>• Work Programme (LM)</li> </ul>
31 July 2019	<ul style="list-style-type: none"> <li>• External Audit Results Report 2018/19 (NH)</li> <li>• CBC Audited Statement of Accounts 2018/19 (CW/DG)</li> <li>• Annual Audit and Certification Fees 2019/20 (NH)</li> <li>• Annual Counter Fraud Update (GM)</li> <li>• Local Government Pension Scheme Update (DG)</li> <li>• Tracking of Internal Audit Recommendations (CH)</li> <li>• Internal Audit Progress Report (CH)</li> <li>• Work Programme (LM)</li> </ul>

29 October 2019	<ul style="list-style-type: none"><li>• Presentation on LGSS Law Ltd (CW)</li><li>• Annual Audit Letter for the Year ended 31 March 2019 (NH)</li><li>• Risk Update Report (CH)</li><li>• Tracking of Internal Audit Recommendations (CH)</li><li>• Internal Audit Progress Report (CH)</li><li>• Work Programme (LM)</li></ul>
3 March 2020	<ul style="list-style-type: none"><li>• Certification of Claims and Returns Annual Report 2018/19 (NH)</li><li>• External Audit Planning Report (NH)</li><li>• Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments (GM)</li><li>• Local Government Pension Scheme Update (DG)</li><li>• Statement of Accounts 2019/20 (SP)</li><li>• Report on Corporate Risk Management Review (CH)</li><li>• Risk Update Report (CH)</li><li>• Tracking of Internal Audit Recommendations (CH)</li><li>• Internal Audit Progress Report (CH)</li><li>• Work Programme (LM)</li></ul>

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