Audit Committee

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<th>Wednesday 29 May 2019, 10:00 AM — 2:00 PM BST</th>
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<td>Venue</td>
<td>Council Chamber, Priory House, Monks Walk, Chicksands, Shefford, SG17 5TQ</td>
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<td>To Chairman and Members of the Committee: -</td>
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Cllr M Blair (Chairman)  
Cllr R Morris (Vice-Chairman)  
Cllrs J Baker, D Bowater, F Firth, D Shelvey, and A Zerny  
Substitutes: Cllrs N Harris, G Perham, M Versallion and H Whitaker

Notes for Participants  
If you wish to speak at this meeting you can register to speak online via the following link: -  
www.centralbedfordshire.gov.uk

This meeting may be filmed by the Council for live and/or subsequent broadcast online and can be viewed at https://centralbedfordshire.public.i.tv/core/portal/home. At the start of the meeting the Chairman will confirm if all or part of the meeting will be filmed by the Council. Any footage will be on the Council’s website, a copy of it will also be retained in accordance with the Council’s data retention policy. By attending the meeting, you are deemed to have consented to being filmed by the Council. Full details on the use of recordings is provided via the link above.

For further information on this meeting contact  
leslie.manning@centralbedfordshire.gov.uk

Hard copies of the papers for this meeting are not routinely made available to those in attendance. Should you require a copy of please download this from the Council website beforehand.

Agenda

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@letstalkcentral
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 11 March 2019.
   
   ![Minutes.pdf](Minutes.pdf)

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 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 Part 4G of the Constitution.

7. **Provisional Outturn Statement of Accounts 2018/19**
   
   To receive a presentation which provides an update on the provisional outturn statement of accounts (subject to audit) for 2018/19.
8. Annual Governance Statement 2018/19

To consider the draft Annual Governance Statement for 2018/19.

- [8 Annual Governance Statement 201819.docx](#)
- [8 Appendix A - CBC Draft Annual Governance Statement 201819.docx](#)
- [8 Appendix B - Local Code of Corporate Governance.doc](#)


To note a report from Ernst & Young LLP, previously considered at the last meeting of the Committee and attached for the benefit of new Members.

- [9 External Audit Planning Report.pdf](#)

10. Update on Shared Legal Service

To receive a presentation which provides a brief update on matters of interest relating to LGSS Law Ltd.

- [Presentation - Update on Shared Legal Service.pptx](#)

11. 2019/20 Internal Audit Plan

To consider the Internal Audit Plan for 2019/20.

- [11 201920 Internal Audit Plan.docx](#)
- [11 Appendix A - Internal Audit and Risk 2019-20 Audit Plan.doc](#)

12. Annual Audit Opinion for 2018/19

To consider the annual report to those charged with governance on the overall adequacy and effectiveness of the Council's financial and other management internal controls.

- [12 Annual Audit Opinion for 201819.docx](#)
- [12 Appendix A - Internal Audit Activity During 201819.doc](#)
- [12 Appendix B - Audit Opinions.docx](#)
13. 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.

- 13 Tracking of Internal Audit High Priority Recs.docx
- 13 Appendix A - Details of Those Recommendations Outstanding.doc
- 13 Appendix B - Summary of Outstanding High Priority Internal Audit Recommendations.xlsx

14. Risk Update Report

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

- 14 Risk Update Report.docx
- 14 Appendix A - Strategic Risk Dashboard - April 2019.xlsx
- 14 Appendix B - Strategic Risk Register.xlsx
- 14 Appendix C - Operational Risk Dashboard - April 2019.xlsx

15. Work Programme

To consider the Committee's work programme.

- 15 Work Programme.docx
- 15 Appendix A - Audit Committee Work Programme.doc
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 11 March 2019.
At a meeting of the **AUDIT COMMITTEE** held in the Council Chamber, Priory House, Monks Walk, Shefford on Monday, 11 March 2019

**PRESENT**

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

**Apologies for Absence:**
Cllr R Morris

**Substitutes:**
Cllr Mrs J G Lawrence (In place of R Morris)

**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 G Muskett Head of Revenues & Benefits
Ms S Pocock Financial Controller
Mr C Warboys Director of Resources

**Others in Attendance:**
Mr N Harris Associate Partner - Ernst & Young LLP
Ms C Ryan Manager - Ernst & Young LLP

### AUD/18/26 Minutes

**RESOLVED**

that the minutes of the meeting of the Audit Committee held on 19 November 2018 be confirmed and signed by the Chairman as a correct record.

### AUD/18/27 Members' Interests

None.

### AUD/18/28 Chairman's Announcements and Communications

The Chairman asked Members to silence their mobile phones.
AUD/18/29 **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/18/30 **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/18/31 **Certification of Claims and Returns Annual Report 2017/18**

The Committee considered a report from Ernst & Young LLP (EY) which summarised the results of the company’s work on the Council’s 2017-18 claims and returns.

Points and comments included:

- The Director of Resources expressed satisfaction on the overall outcome of the certification of the Housing Benefits subsidy claim. Following the work by EY the subsidy had been reduced by only £9.00 which was an extremely low figure. He added that the Council was investing in new software which would help with the analysis of where errors were detected.

RECEIVED

the certification of claims and returns annual report 2017-18.

AUD/18/32 **External Audit Planning Report**

The Committee considered a report which provided Members with a basis to review the proposed audit approach and scope for the 2018/19 audit by the Council’s external auditors, Ernst & Young LLP, and ensure that the audit was aligned with the Committee’s service expectations.

Points and comments included:

- The Ernst & Young Associate Partner briefly outlined the forthcoming changes which would impact over the new financial year.
- At the next meeting of the Committee EY would be reporting on the company’s strategy for the audit of the Council’s asset base and show what the disaggregation was and how EY proposed to target its testing,
- The EY Associate Partner referred to a possible significant risk in the form of the valuation of property. In clarification he explained that valuation of the Council’s property did not include dwellings. These would be tested but their valuation was not regarded as a significant
audit risk. Part of the reason was the amount of observable market data which could be used for corroboration purposes. The valuation of schools and other specialised assets were far harder to value and used more complex assumptions.

- A query arose regarding the significance of a deliberate undervaluation of the Council’s assets in relation to depreciation, insurance charges and so forth. The Director of Resources stated that the Council had a high value of assets on the balance sheet so a minor percentage change could create a large financial issue. However, he gave the Committee full assurance that there was no deliberate attempt to misstate the value. The valuation was a transparent process and it was right that it was an area of audit focus. He stressed that he would not wish to see an alternative value arising from the audit given that this was not its function.

- If there was a major difference in asset value following valuation by EY then it was a valid challenge which would be examined. Processes had been agreed to try and speed up the exchange of this information based on last year’s experience. By providing the values to EY earlier it enabled a greater opportunity to deal with any issues which arose. The Director stressed that these were all standard audit issues and did not highlight Central Bedfordshire Council as a particular risk.

- On the matter of the incorrect capitalisation of revenue expenditure the Director commented that it was actually the inappropriate use of capital receipts to reduce revenue expenditure which was appearing in some local authorities. This had been an issue at Northamptonshire County Council and, more recently, Peterborough City Council had come under scrutiny for its actions. He did not have any concerns with regard to Central Bedfordshire Council though fully recognised the need for independent examination.

- In response to a Member’s comments regarding the auditing of areas of ‘orphan’ land in towns the Director stated that this matter had been investigated to ensure records were as up to date as possible. The Director asked for notification of specific examples of such land so action could be taken. The Chairman stated that this was not of concern in relation to the asset valuation.

- In response to a Member’s reference to the possibility of fraudulent activity involving regular but low level payments, the Director stated that the possibility of such fraud arising could not be totally discounted but, to combat this, a number of controls and processes existed, including the complete disaggregation of duties. No evidence of fraud of any significance had been discovered and there was a policy of zero tolerance towards fraudulent action in place. In addition the anti-fraud controls and processes themselves were audited.

- The Associate Partner outlined the methods used by EY to detect fraudulent activity.

- Following a query the Director confirmed that the salaries of the Council’s proposed wholly owned housing development company would be transparent. The Associate Partner stated that the Council’s arrangements undertaken prior to possibly setting up the housing company had been carried out in an appropriate way.
The Director advised that the Corporate Resources Overview and Scrutiny Committee had already received a presentation on the proposed housing company and it was envisaged that there would be continued scrutiny interest.

Comment was passed on the forthcoming local elections on 2 May 2019 and the possible impact on the make-up of the Audit Committee and continuity. It was felt that the report submitted by EY had an important role in briefing new Members on the detail of the Committee’s work and what was expected of the Council’s external auditors. In response the Associate Partner suggested that he resubmit the report to the next meeting of the Committee, the first in the new municipal year, in order to provide an overview of his company’s work. He added that the company also provided training and workshops for Members.

RESOLVED

that the Audit Planning report for the year ending 31 March 2019 be resubmitted to the next meeting of the Audit Committee on 29 May 2019 for background/training purposes.

AUD/18/33 Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Tax Support Assessments

The Committee considered a report which provided an update on the operation of the current Risk Based Verification (RBV) Policy and sought the Committee’s approval of a new Policy for the coming year. A copy of the proposed Housing Benefit and Local tax Support Verification Policy 2019/20 was attached as an exempt document at Appendix A to the report. An update to the information contained in paragraphs 10 and 11 of the report was contained at Appendix B.

Points and comments included:

- There was an increasing number of high risk claims being submitted which was in part due to the demographic within Central Bedfordshire where there were more claimants that were working and where there tended to be a fluctuation in earning levels.
- There had been approximately 1,800 new high risk claims during 2018/19. Less than 25% were still in receipt of Housing Benefit which reflected the ‘on/off’ nature of claims as people moved in and out of work.
- It was felt that the decline in the overall number of claims during 2018/19 was due to the migration of claimants toward Universal Credit system. Approximately 700 claimants (5% of the caseload) who would have previously claimed Housing Benefit were now in receipt of Universal Credit.
- It was envisaged that further reductions in the overall number of Housing Benefit claims would take place over the coming year due to the ongoing migration to Universal Credit.
- The Head of Revenues and Benefits stated that he was not aware of any plans to update the RBV criteria used in the software despite it
dating from 2011. However, he stated that it would need to take place at some point as the number of Housing Benefit claims declined thereby affecting the 'averages' built into the software.

- The Head of Revenues and Benefits added that Universal Credit would have an RBV tool built in to it.

**RESOLVED**

that the proposed Housing Benefit and Local Tax Support (Risk Based) Verification Policy 2019/20, as attached at exempt Appendix A to the report of the Director of Resources, be approved and adopted.

(Note: Minute AUD/18/41 below also refers).

**AUD/18/34 Local Government Pension Scheme Update**

(Note: At this point in the proceedings the Chairman, Councillor M Blair, declared an interest as a member of the Bedfordshire Local Pension Board).

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

Points and comments included:

- Barnett Waddingham had replaced Hymans Robertson as the new Bedfordshire Pension Fund actuary with effect from 1 October 2018 and would be examining the Council’s next actuarial valuation.

- In his Autumn Statement on 29 October 2018 the Chancellor had announced that, from an unspecified date, pension increases would be in line with Consumer Price Inflation Housing (CPIH) instead of Consumer Price Inflation (CPI). CPIH was CPI but it included housing costs (the average change in residential rents) in the basket of goods that were measured). As housing costs often increased faster than other goods CPIH was generally higher than CPI, though not always. The Assistant Director Finance stated that a considerable impact on pensions could arise relatively easily but local authorities, and their actuaries, could only monitor the situation. If any issues did arise they would be raised with the appropriate authorities.

- With regard to the Separation Project the Assistant Director Finance explained that a project had been commissioned in 2015 to examine the issues and challenges of separating the pension’s functions of the LGPS administering authorities from the host authorities, thereby managing any potential conflicts of interest. A further project had been established for 2019/20 under the actuary Hymans Robertson to see how the recommendations could be made to work in practice. The project had yet to conclude its business and the Assistant Director stated that he was unable to comment until he had seen the resulting report. A report would be made to the Committee on the outcome.
- A full report on developments regarding the Border to Coast Pension Partnership pool would be included in the next LGPS report to the Committee.

- The Pension Fund net investment return for the quarter ending 30 June 2018 had been 3.37% which was below the benchmark return of 4.09%. The Assistant Director explained that the quarter in question had seen very unusual activity in the market, particularly with regard to equities, and there had been a considerable dropdown, which had impacted on the pensions market as a whole. However, the most recent quarter had shown a different performance and the market had recovered but the new data had appeared too late to be included in the officer report.

- The ability of the fund to meet demands from its pensioners was monitored through the valuation by the actuary. Matters such as expected longevity, potential liability and the ability to meet liabilities as they formed were all considered. There was a deficit which meant that the Council and other employers had to pay more into the LGPS. There was a plan to ensure that the deficit was always covered in the longer term. It was unlikely that surpluses would be seen in the future.

- In response to a query on whether covering the pension deficit was sustainable the Assistant Director stated that full account was taken of it when drawing up the medium term financial plan. Any changes to the LGPS would be nationally driven rather than by an individual pension fund. He acknowledged the challenge involved.

**NOTED**

the Local Government Pension Scheme update.

**AUD/18/35 Statement of Accounts 2018/19**

The Committee considered a report which outlined the key changes required to the Council's statutory Statement of Accounts for 2018/19.

Points and comments included:

- The main changes to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for 2018/19 related to the presentation of the financial statements and amendments arising from changes to accounting standards (IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers). It was felt that neither standard would have a material impact on the Statement of Accounts.

- IFRS 16 Leases would not now apply until 1 April 2020. A great deal of work would need to be undertaken on implementing this standard.

- Other key issues related to the earlier closedown of accounts as required under the Accounts and Audit Regulations 2015, the proposed Statement of Accounts presentation at the Audit Committee on 29 May 2019, the proposed creation of Council owned housing development company and rights of access to the Statement of Accounts under the Accounts and Audit Regulations 2015.
The Chairman commented on the usefulness of the Statement of Accounts presentation to both Members and officers.

The meeting noted that the ‘Big Red Button’ (BRB) closedown software tool was working well and its role was due to be developed further.

A challenge would arise next year as the BRB software would require remapping as a result of the move to the new version of SAP. However, Finance had two years’ experience of using the BRB and it was expected that the work would go relatively smoothly.

Arising from the Council’s successful employment of the BRB software it had received queries from other local authorities regarding its use.

Whilst a large amount of work had been involved in its implementation the impact of the BRB software had been highly beneficial in achieving accuracy and meeting deadline dates.

NOTED

the key changes required to the Council’s statutory 2018/9 Statement of Accounts.

AUD/18/36 Corporate Risk Management Review

The Committee considered a report on the findings of a recent review undertaken by Zurich Municipal of the Council’s corporate Risk Management arrangements and the resultant action plan drawn up in response to the review’s recommendations.

The full report by Zurich Municipal was attached at Appendix A to the officer’s report and the resulting action plan was attached at Appendix B.

Points and comments included:

- Four priority areas had been identified in the Zurich Municipal report, these being:
  - Improving the link between strategy and risk by developing the role of the Executive and Portfolio Holders.
  - Providing greater direct support to Directorate Management teams to build a robust risk profile and supporting the embedding of effective risk management practices.
  - Reviewing risk management tools and processes to ensure they supported Directorate risk management effectively.
  - Improving the level of risk management capability and awareness across Member and officer groups.

- The Head of Internal Audit and Risk explained that there was a recognition that the presentation of risk information by him was not as effective as it being delivered by the business itself. It was therefore proposed that a cyclical approach be adopted in which Directorates attended the Committee to present the information. In support of that approach a training programme of briefing sessions for the Directorate Management Teams and the Audit Committee would take place to ensure that all parties fully understood their role in the process.
The Vice-Chairman expressed concern that the Audit Committee was being expected to perform a role which should be shared with the overview and scrutiny committees. He stated that the overview and scrutiny committees had an expert knowledge of those areas of business within the Council for which they had a scrutiny role. Further, the relevant Executive Members were required to report to those committees so questions relating to risk could be raised at that point. The Audit Committee’s role would be to ensure that this was happening. Other Members expressed support for these comments.

The Head of Internal Audit and Risk stressed that the aim was to ensure that the Committee received direct assurance from the businesses that the processes were in place and were working effectively. The Director of Resources reminded the meeting that, under the Constitution, it was the Audit Committee’s responsibility to satisfy itself that robust processes were in place. Scrutiny had not, to date, become involved in this area though Audit Committee could recommend that this change and the current scrutiny arrangements be examined.

The Director recommended support for the proposed cyclical programme of calling Directors before the Audit Committee so their processes could be challenged. This would reveal if any particular risk wasn’t being managed effectively so a recommendation could be made to the appropriate overview and scrutiny committee on this issue.

Comment was made on the current review of the overview and scrutiny structure, the relationship to the proposals before the Committee and the need for General Purposes Committee to consider and approve any changes to the Constitution.

RESOLVED

1 that the action plan attached at Appendix B to the Director of Resource’s report, and drawn up in response to the recommendations contained in the review of the Council’s corporate Risk Management arrangements by Zurich Municipal, be approved and adopted.

2 that the above action plan be incorporated into whatever changes that were required in order to implement the overview and scrutiny roles if they proved to be necessary.

3 that an update on the implementation of the action plan be submitted to the Audit Committee on 29 October 2019.

4 that a full review of the implementation of the above action plan be submitted to the Audit Committee on 3 March 2020.

(Note: Minute AUD/18/40 below also refers).
AUD/18/37 **Risk Update Report**

The Committee considered a report which provided an overview of the Council’s risk position as at February 2019.

Points and comments included:

- Whilst it was the Committee’s role to challenge the risk scores set out in the report the scores were based on the information supplied by Directorates. Internal Audit did not provide an independent review of the risk scores but the ‘owners’ of that data (listed in Appendix B to the officer’s report) could be asked to attend the Committee to address Members on particular service risks and how the relevant scores were arrived at.
- Members were reminded that the Committee had previously undertaken a similar process with regard to IT risk.
- Although there were exceptions there was evidence of the correlation between educational outcomes and the quality of the teaching accommodation (STR0042 refers).
- Members emphasised that they wished to undertake a more active role in discharging their role in the future through the calling in and questioning of relevant officers. The Chairman commented that future developments in this area could be linked to the current overview and scrutiny review.

**NOTED**

Central Bedfordshire Council’s risk position as at February 2019.

AUD/18/38 **Internal Audit Progress Report**

The Committee considered a report outlining the progress made on Internal Audit work against the Internal Audit Plan for 2018/19 up to the end of January 2019.

(Note: Councillor A Zerny left the meeting at this point in the proceedings).

Points and comments included:

- Internal Audit and the Council’s external auditor (Ernst & Young LLP) worked closely together and there was no apparent duplication of effort.
- In the last year a new approach to the assurance audits for schools had been successfully implemented. This had reduced the number of delays which had previously been experienced.
- Internal Audit staff were providing an advisory role with regard to the implementation of the S4Hana software.
- A secondment from Internal Audit to the S4Hana project had taken a particular skillset to the project which would be of benefit in assisting the audit process in future.
- The Internal Audit team was of an appropriate size to perform its duties.
NOTED

the progress made against the 2018/19 Internal Audit Plan up to the end of January 2019.

AUD/18/39 Tracking of Internal Audit High Priority Recommendations/Agreed Actions

The Committee considered a report which summarised the high priority recommendations/agreed actions arising from Internal Audit reports and the progress made in their implantation as at the end of January 2019.

Points and comments included:

- The report showed only those recommendations/actions which had not been implemented.
- That once an action to implement any recommendations/actions had been agreed between Internal Audit and the relevant Directorate it was fully monitored by the former to ensure that an area of weakness was being addressed.
- That should there be a lack of sufficient progress to implement an Audit recommendation then the Audit Committee could request a representative from the relevant Directorate to attend a meeting of the Committee to provide an explanation.

AUD/18/40 Work Programme

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

Points and comments included:

- The Chairman stated that the previously agreed scheduling of a further update on LGSS Law Ltd to the meeting of the Committee on 29 May 2019, following the local elections, would enable any new members of the Council to be briefed on this subject.
- The Committee was aware that it had already resolved to resubmit the Audit Planning report and include an update and a review of the implementation of the action plan adopted in response to of the recommendations contained in the Zurich Municipal review of the Council’s corporate risk management (minutes AUD/18/32 and 36 above refer).
RESOLVED

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

- 29 May 2019 - add the Audit Planning report for the year ending 31 March 2019 for background/training purposes.
- 29 October 2019 – add an update on the implementation of the action plan adopted in response to the Zurich Municipal Corporate Risk Management Review.
- 3 March 2020 – add a full review of the implementation of the action plan adopted in response to the Zurich Municipal Corporate Risk Management Review.

AUD/18/41 Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Tax Support Assessments

Minute AUD/18/33 above refers.

(Note: The meeting commenced at 10.00 a.m. and concluded at 12.12 p.m.)

Chairman ........................................

Dated ........................................
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 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 Part 4G of the Constitution.
Reports
7. Provisional Outturn Statement of Accounts 2018/19

To receive a presentation which provides an update on the provisional outturn statement of accounts (subject to audit) for 2018/19.
8. Annual Governance Statement 2018/19

To consider the draft Annual Governance Statement for 2018/19.
Purpose of this report

1. This report seeks the Committee’s approval of the Council’s draft Annual Governance Statement for 2018/19.

RECOMMENDATIONS
The Committee is asked to:

1. Approve the draft Annual Governance Statement attached at Appendix A.

Overview and Scrutiny Comments/Recommendations

2. The Audit Committee is responsible for overseeing the production of the Annual Governance Statement, therefore it has not been considered by an Overview & Scrutiny Committee.

Background

3. The Audit Committee’s terms of reference include responsibility for overseeing the production of the Council’s Annual Governance Statement (‘AGS’).

4. The AGS is intended to demonstrate how the Council has achieved the principles contained in the Local Code of Corporate Governance, attached at Appendix B, in the financial year 2018/19. It should be read in conjunction with the Local Code of Corporate Governance.

5. The draft AGS has been considered and approved by the Corporate Management Team.
Developments from previous Annual Governance Statement

6. The draft AGS is a complete re-draft and changed format from previous versions of the AGS to reflect CIPFA good practice. It has been modelled on a CIPFA recommended AGS which makes the document easier to read and removes much of the unnecessary technical content. Some of the key changes are as follows:

- It has a contents page with hyperlinks to each section.
- Useful website links inserted
- It is illustrated throughout with diagrams.
- There is an easy to read table on the principles of corporate governance (page 4)
- A section on how the council works (page 6)
- An outcomes and value for money section with performance data (pages 7-9)
- An easy to read table on assurance (page 13)

Council Priorities

7. A sound system of corporate governance provides the framework and assurance within which the Council can deliver its priorities with confidence. Sound governance arrangements contribute to the achievement of all the Council’s priorities.

Corporate Implications

Risk Management

8. The AGS identifies some significant governance issues where governance oversight is required (page 2). Schedule 2 lists the Council’s strategic risks as set out in the strategic risk register.

Legal Implications

9. The Accounts and Audit Regulations 2015 require the Council to conduct an annual review of its systems of internal control. The preparation of an Annual Governance Statement forms part of that process.

Financial Implications

10. This report has no financial implications.

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. The Council has recently reviewed and updated The Equality Strategy and Action Plan 2018 -2021 which is part of the Council’s policy framework and particularly supports the core principles of behaving with integrity, demonstrating strong commitment to ethical values, respecting the rule of law and ensuring openness and comprehensive stakeholder engagement.

Conclusion and next Steps

13. If approved by the Audit Committee, the AGS will be submitted to the Leader and Chief Executive for formal sign off.

Appendices

The following Appendices are attached:

Appendix A – Draft Annual Governance Statement
Appendix B – Code of Corporate Governance
Central Bedfordshire Council Draft Annual Governance Statement 2018/19
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Executive summary

The Leader of the Council (Cllr James Jamieson) and Chief Executive (Richard Carr) both recognise the importance of having good management, effective processes and other appropriate controls in place to have a well-run Council, delivering services to the communities of Central Bedfordshire.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. To help us do this the Council's Audit Committee undertakes a review of our governance framework and the development of the AGS.

The final AGS was formally approved by the Audit Committee on the 29th May 2019 - where it was recommended for signing by the Leader of the Council and Chief Executive.

Signed on behalf of Central Bedfordshire Council

................................................................. Councillor James Jamieson
Leader of the Council

................................................................. Richard Carr
Chief Executive
Significant governance issues

Overall we can confirm that the Council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst we are satisfied that these generally work well our review has identified a number of areas for improvement or where governance oversight is needed.

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<th>Lead officer</th>
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<tbody>
<tr>
<td>Recognition of the significance of new members induction following elections in May 2019</td>
<td>Charles Warboys, Director of Resources</td>
<td>May/June 2019</td>
</tr>
<tr>
<td>Operational Risk Management</td>
<td>Charles Warboys, Director of Resources</td>
<td>TBC</td>
</tr>
<tr>
<td>Wholly owned housing development company</td>
<td>Marcel Coiffait, Director of Community Services</td>
<td>TBC</td>
</tr>
<tr>
<td>Control environment within IT Services - limitations in risk assurance for those IT services not subject to an audit &amp; risk review.</td>
<td>Marcel Coiffait, Director of Community Services</td>
<td>TBC</td>
</tr>
<tr>
<td>Major System implementations and processes e.g. Acolaid &amp; Swift.</td>
<td>Marcel Coiffait, Director of Community Services</td>
<td>TBC</td>
</tr>
</tbody>
</table>

What is corporate governance?

Good governance can mean different things to people – in the public sector it means:

"Achieving the intended outcomes while acting in the public interest at all times"

Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

The Council’s governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage risk
• meets the needs of Central Bedfordshire communities - secures continuous improvements in the way it operates.

Our governance framework comprises of the culture, values, systems and processes by with the council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes. The full governance framework can be found at the end of this document.
Principles of corporate governance

**Principle A: Integrity and values**
- Staying true to our strong ethical values and standards of conduct
- Respecting the rule of law
- Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities
- Ensuring fraud, corruption and abuse of position are identified and dealt with effectively
- Ensuring a safe environment to raise concerns and learning from our mistakes

**Principle B: Openness and engagement**
- Keeping relevant information open to the public and continuing their involvement
- Consultation feedback from the public is used to support service and budget decisions
- Providing clear rationale for decision making – being explicit about risk, impact and benefits
- Having effective scrutiny to constructively challenge what we do and the decisions made

**Principle C: Working together**
- Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money
- Being clear about expectations - working effectively together within the resources available
- Developing constructive relationships with stakeholders
- Having strong priority planning and performance management processes in place
- Taking and active and planned approach to consult with the public
- Regularly consult with employees and their representatives

**Principle D: Making a difference**
- Having a clear vision and strategy setting out our intended outcome for citizens and service users

**Principle E: Capability**
- Clear roles and responsibilities for council leadership
- Maintaining a development programme that allows councillors and officers to gain the skills and knowledge they need to perform well in their roles
- Evaluating councillor and officers’ performance
- Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning

**Principle F: Managing risk and performance**
- Ensuring that effective risk management and performance systems are in place, and that these are integrated in our business systems / service units
- Having well developed assurance arrangements in place – including any commercial activities
- Having an effective Audit Committee
- Effective counter fraud arrangements in place

**Principle G: Transparency and accountability**
- Having rigorous and transparent decision making processes in place
- Maintaining an effective scrutiny process
- Publishing up to date and good quality information on our activities and decisions
- Maintaining an effective internal and external audit function
Looking back at 2017/18

A number of improvement actions were identified as part of the 2017/18 Annual Governance Statement.

The table below shows progress with these actions:

<table>
<thead>
<tr>
<th>Key improvement area</th>
<th>To be delivered by</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respond to the learning points from the LGA Corporate Peer Review</td>
<td>July 2018</td>
<td>Completed</td>
</tr>
<tr>
<td>Shaping the Educational Landscape Programme</td>
<td>September 2018</td>
<td>On track (for the part of the programme to be completed by this date)</td>
</tr>
<tr>
<td>Operational Risk Management</td>
<td>April 2019</td>
<td>On track</td>
</tr>
<tr>
<td>Respond to the learning points from the Best Value report self-assessment</td>
<td>September 2018 – January 2019</td>
<td>Completed</td>
</tr>
<tr>
<td>The Council faced a number of strategic issues which required senior management and Member attention: Growth Agenda (Housing, Local Plan, Growth Corridor); Ageing Population; Health and Social Integration (STP); Digitisation</td>
<td>March 2019</td>
<td>On track</td>
</tr>
<tr>
<td>Major System implementations and processes eg SAP S4 Hana, Acolaid, Swift.</td>
<td>SAP S4 Hana - July 2019, Acolaid – TBC, Swift - TBC</td>
<td>S4 Hana – put back to September 2019</td>
</tr>
<tr>
<td>GDPR compliance</td>
<td>May 2018</td>
<td>Completed</td>
</tr>
</tbody>
</table>
Areas behind plan

S4HANA has been put back to 1 September 2019.

How the council works

The Annual Governance Statement covers the 2018/19 financial year. The information below relates to this period.

The Council is made up of 59 Councillors and operates a 'Leader and Executive' model of decision making.
- All 59 Councillors meet to agree the budget and policy framework.

The Executive makes the decisions that deliver the budget and policy framework of the Council and consists of the Leader together with a minimum of 2 members and a maximum of 9.
- In 2018/19 the Leader and 7 Councillors sat on the Executive with support from 7 Deputy Executive Members.

41 Councillors form scrutiny committees.
- These committees develop policy and scrutinise decisions made by the Executive, holding them to account.

46 Councillors form Regulatory and other committees.
Outcomes and value for money

Our plan and performance dashboard

We want to support a society where people contribute to their communities and are willing and able to look after themselves and others; an area where:

Central Bedfordshire is a great place to live and work and we are working hard to make sure that this continues by:

- Enhancing our place – creating prosperity through employment, improving infrastructure and enabling housing to be available for residents of all ages.
- Delivering outstanding services – maintaining and improving the 24/7 services our customers rely on.
- Improving education and skills – so that our children have access to the right schools, in the right places and high quality education.
- Protecting the vulnerable and promoting wellbeing – focusing on prevention so that people stay healthy and well whenever possible and if they need care and support, ensuring its available to them.
- Creating stronger communities – by building connections between individuals and groups at a local level.
- Being an efficient and responsive council—focusing on value for money and customer service.

A link to the Performance Dashboard can be found here.

At Central Bedfordshire Council, we are committed to delivering great services to our residents. To make sure we are on track, we regularly monitor our performance against key measures to see how we are doing and where we could improve. Full details are available on the performance dashboard, as above.

Comparing back to Quarter 4 2017/18, there have been slight increases in the number of indicators reporting as green (from eight to nine) and the indicators reporting red (from four to five). At the same time the number of indicators reporting as amber decreased (from 11 to 8).

Comparing back to Quarter 4 2017/18, four additional measures are reporting direction of travel in a ‘negative’ direction. There has been a decrease of one measure reporting in a ‘positive’ direction and a decrease of one measure reporting as neither positive nor negative.

Charts illustrating annual comparison of performance
A telephone survey of 1,208 residents living in Central Bedfordshire was undertaken during September 2018 on various aspects of community life and service experience, including:

- **Community Living**: satisfaction with the area as a place to live, outdoor space, cohesion, community spirit, living standards and perception of local problems
- **The Council**: satisfaction with the way it runs things and specifically its key services and activities. Alignment with policy priorities and attitudes to value for money, feeling informed and being influential.
- **The Future**: hopes for the area in 15 to 20 years time

Within a national context, the Local Govt Association triannual resident surveys show declining satisfaction across key indicators, with value for money having lower satisfaction ratings in 2018 than in any previous poll. On many issues Central Bedfordshire results are either in line with or exceed national averages, but there are also some indicators which show statistically significant reductions in satisfaction and emerging community concerns such as community safety, which we will endeavour to address in the coming year.

**Value for money**

Being a more efficient and responsive Council is a key priority and as such the Council has delivered £135million of efficiency savings to date. This constant focus on efficiency and sound financial management across the Council means it is financially stable and relatively resilient.

This was validated by external auditors in 2017/18 who issued an unqualified Value for Money judgement, they said: “The Council is in a sound financial position relative to other councils over the short term.”

The majority (55%) of residents agree that we provide value for money according to the latest residents’ survey (2018).

The Council has had a financial strategy for a number of years now which has combined:

- Delivering efficiency savings
- Prudent use of reserves
- Maximising income but keeping council tax increases as low as possible.

Shrewd budget management means the Council not only has a planned budget up to March 2020 but also a 4-year Medium Term Financial Plan up to March 2023.

The Council is constantly monitoring its long-term financial position using a funding model which currently goes to March 2023. The model forecasts budget shortfalls for future years taking into account known cost pressures and planned savings. In the context of the overall budget these shortfalls are relatively small and manageable over the medium term.

In financial terms, the Council is confident it is in a strong position to respond to foreseen risks and pressures. The Council also actively considers, monitors and manages risk regularly to ensure this stable and resilient position remains.

As a consequence of this approach, the 2019/20 budget does not include any major service reductions but is set to deliver a further £14.8million of savings.

The effective management of the capital budget means the council is planning to invest £93.8million in property and infrastructure in 2019/20 too.
The budget for 2019/20 was modified in nine specific areas to reflect feedback from the public and other key stakeholders:

- Funding to the Voluntary Sector Infrastructure organisations has been maintained rather than reduced to allow a core service still to be provided across the area.
- Extra local funding has been allocated to highways maintenance to deal, in particular, with public concerns over the damage the winter weather has caused to the roads network.
- Extra funding for community safety, to include additional neighbourhood officers and community safety response team, additional CCTV, including re-deployable cameras, additional fly-tipping, dog fouling and environmental crime prevention and investigation resources.
- Extra funding for sustainable transport, to provide better connectivity by foot and cycle to reduce the need for car journeys, through provision of additional foot & cycle paths. In particular addressing missing links or barriers.
- Additional funding for the Town Centre Ranger service to support towns and groups of villages to take on additional local cleaning and minor repair work to improve town/village street scene through provision of capital for equipment.
- Funding to enhance the Community team and provision of a modest capital budget to support the role of councillors as Community Leaders.
- Parking to be matched with HRA funding to develop parking on shared sites.
- Additional funding for countryside access to include an officer and capital funding to promote better access.
- Funding to enable the history and culture of Central Bedfordshire through information boards/displays. To be done with local community groups.

During the 2019/20 financial year, the Council will also be considering the impacts of:

- the extension of the partial localisation of business rates from April 2020
- the outcomes of the Fair Funding Review being undertaken by Government
- implications of Brexit

**Roles and Responsibilities**

**Head of Internal Audit & Risk**

The Head of Internal Audit & Risk is required to provide an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it.

The annual report has been considered in the development of the Annual Governance Statement and any significant governance issues incorporated as appropriate. The opinion of the Head of Internal Audit is included in this statement.

**Monitoring Officer**

The Monitoring Officer has responsibility for ensuring the lawfulness of decisions taken by us as detailed in the [Constitution](#).
The Monitoring Officer is responsible for ensuring the Council complies with its duty to promote and maintain high standards of conduct by Members and co-opted members of the authority.

The Monitoring Officer provides regular reports to General Purposes Committee which gave assurances that:

- appropriate arrangements are in place and operated effectively under the Regulation of Investigatory Powers Act
- an effective officer and Member register of interest process is in place
- proper arrangements for ethical standards are in place and being reviewed

Chief Financial Officer

The council has designated the Director of Resources as the Chief Finance Officer under Section 151 of the Local Government Act 1972. He leads and directs the financial strategy of the Council.

He is a member of the Council's corporate management team and has a key responsibility to ensure that the Council controls and manages its money well. He is able to operate effectively and perform his core duties - complying with the CIPFA Statement on the role of the Chief Financial Officer.

Council managers

Our managers have the day to day responsibility for services and are accountable for their successful delivery. They set ‘the tone from the top’ and develop and implement the policies, procedures, processes and controls, ensuring compliance.

Corporate management team

Our corporate management team oversee the review of the Council's governance arrangements and the development of the Annual Governance Statement.

Effective Scrutiny and Review

Overview and Scrutiny Committees

The Overview and Scrutiny Committees exists to review and scrutinise any decision made by the Executive, Executive Members or key decision made by an officer.

The key aim of scrutiny in councils is to:

- Provide healthy and constructive challenge
- Give voice to public concerns
- Support improvement in services
- Provide independent review

Each year an overview and scrutiny annual report is produced showing the activities undertaken.

Audit Committee

The Council’s Audit Committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done.

It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability. The Committee exists to challenge the
way things are being done and make sure the right processes are in place. It works closely with both internal audit and senior management to continually improve the Council's governance, risk and control environment. Find out more about the audit committee here.

*External Audit*

The Council's financial statements and annual governance statement are an important way we account for our stewardship of public funds.

Ernst & Young LLP, our external auditors, audit our financial statements and provide an opinion on these. They also assess how well we manage our resources and deliver value for money to the people of Central Bedfordshire.
Head of Internal Audit & Risk opinion

The Council’s Head of Internal Audit & Risk submitted his opinion on the overall adequacy and effectiveness of the Council’s internal control environment to the Audit Committee on 29th May 2019. The Internal Audit work programme included reviews of the fundamental financial systems and other assurance work on other non-fundamental systems.

The Head of Internal Audit reported that his opinion was that overall the Council’s system of internal control, governance framework and risk management arrangements were Adequate. In general, the key controls in place were adequate and effective such that reasonable assurance can be placed on the operation of the Council’s functions. One area of concern was raised in relation to the control environment within IT Services, where 3 key audits undertaken this year have each received Limited Assurance opinions.

All of the fundamental system reviews have received an adequate or substantial assurance opinion. IT reviews aside, the majority of audit reviews of areas other than the fundamental systems have not identified any material concerns. Where weaknesses in the current processes have been identified actions have been agreed with management to address these issues and Internal Audit has continued to track the implementation of high priority recommendations throughout the year and report to the Audit Committee.

In relation to the Council’s IT environment and infrastructure, three key reviews have been undertaken this year; SAP access and security, cyber security and disaster recovery (at draft report stage) and all were given Limited Assurance opinions. Additionally, further IT audits on the annual plan had to be deferred to 2019/20 due to capacity issues within the service.

Individually each audit has agreed a set of prioritised actions with service management to drive forward the required improvements over the coming year and IT are now actively working on these. However, on the basis of the assurance levels provided by these reviews, the Head of Internal Audit and Risk considers that adequate assurance cannot be provided for the remainder of the IT operations (not reviewed). This conclusion is considered in the context of the pervasive influence of IT on all operations of the Council and the significance of IT controls in terms of supporting the Council’s fundamental systems (including financial systems). Therefore, the limitations of assurance are considered significant enough to require highlighting in this annual report.
**Appendix 1 – Governance framework**

### Where do we need assurance?  

<table>
<thead>
<tr>
<th>Compliance</th>
<th>Democratic engagement &amp; public accountability</th>
<th>Management of risk</th>
<th>Financial management</th>
<th>Members &amp; Officers roles &amp; responsibilities</th>
<th>Standards of conduct &amp; behaviour</th>
<th>Action plan approved &amp; reported on.</th>
<th>Effectiveness of Internal controls</th>
<th>Services delivered</th>
</tr>
</thead>
</table>

### Where can / do we get assurance from?  

<table>
<thead>
<tr>
<th>Constitution</th>
<th>Audit committee, council executive &amp; scrutiny</th>
<th>Internal &amp; external audit</th>
<th>Independent &amp; external sources</th>
<th>Financial strategy</th>
<th>Complaints system, counter fraud &amp; whistle blowing</th>
<th>HR policies &amp; codes of conduct</th>
<th>Risk management strategy &amp; framework</th>
<th>Performance management system</th>
</tr>
</thead>
</table>

1. The boxes in the columns are in no particular order.
Appendix 2 – Strategic risk register

Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This puts us in a stronger position to deliver our goals and provide excellent services. Our Strategic Risk Register is regularly reviewed, and our risks are being effectively managed.

<table>
<thead>
<tr>
<th>#</th>
<th>Reference</th>
<th>Strategic Risk</th>
<th>Residual (Mitigated) Score - Feb 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>STR0032</td>
<td>Unsustainable market for social care.</td>
<td>16</td>
</tr>
<tr>
<td>2</td>
<td>STR0040</td>
<td>Political and economic uncertainty arising from UK leaving EU and other significant international events.</td>
<td>16</td>
</tr>
<tr>
<td>3</td>
<td>STR0027</td>
<td>Failure to adopt a Local Plan</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>STR0001</td>
<td>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.</td>
<td>12</td>
</tr>
<tr>
<td>5</td>
<td>STR0036</td>
<td>Failure to deliver social cohesion.</td>
<td>12</td>
</tr>
<tr>
<td>6</td>
<td>STR0042</td>
<td>Failure to deliver a coherent educational landscape</td>
<td>12</td>
</tr>
<tr>
<td>7</td>
<td>STR0037</td>
<td>Failure to support vulnerable people and families, which results in higher demand for more intensive services.</td>
<td>12</td>
</tr>
<tr>
<td>8</td>
<td>STR0039</td>
<td>Failure to manage demand for rented and specialist accommodation as a consequence of constrained housing supply.</td>
<td>12</td>
</tr>
<tr>
<td>9</td>
<td>STR0033</td>
<td>The impact of cyber crime.</td>
<td>9</td>
</tr>
<tr>
<td>10</td>
<td>STR0009</td>
<td>Fragility / Failure of partners compromising public services and increasing costs to the Council</td>
<td>8</td>
</tr>
<tr>
<td>11</td>
<td>STR0008</td>
<td>Failure or disruption to key elements of core infrastructure (data centre, environment and networks) leading to no functionality for more than 24 hours.</td>
<td>8</td>
</tr>
<tr>
<td>12</td>
<td>STR0013</td>
<td>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.</td>
<td>8</td>
</tr>
<tr>
<td>13</td>
<td>STR0041</td>
<td>Failure to enact the changes we seek to move the organisation forward.</td>
<td>6</td>
</tr>
</tbody>
</table>
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Central Bedfordshire in contact
Local Code of Corporate Governance

Effective from 2018/19
# Contents

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<th>Page</th>
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<td>3. CORE PRINCIPLES</td>
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<td>APPENDIX A - ACTIONS AND BEHAVIOURS TAKEN BY THE COUNCIL THAT DEMONSTRATE GOOD GOVERNANCE</td>
<td>4</td>
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<tr>
<td>APPENDIX B – CENTRAL BEDFORDSHIRE COUNCIL’S CORPORATE GOVERNANCE FRAMEWORK</td>
<td>12</td>
</tr>
</tbody>
</table>
1 Introduction

1.1 The Council’s Code of Corporate Governance is based upon the CIPFA / SOLACE publication entitled “Delivering Good Governance in Local Government: Framework 2016 Edition.” This supersedes the previous Code approved by the Audit Committee in April 2011.

2 What do we mean by Governance?

2.1 ‘The International Framework: Good Governance in the Public Sector’ defines ‘governance’ as comprising the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The Framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must aim to achieve the Council’s objectives while acting in the public interest at all times.

3. Core Principles

3.1 The Council’s Code of Corporate Governance is based on seven core principles:-

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
B. Ensuring openness and comprehensive stakeholder engagement;
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
D. Determining the interventions necessary to optimize the achievement of the intended outcomes;
E. Developing the Council’s capacity, including the capability of its leadership and the individuals within it;
F. Managing risks and performance through robust internal control and strong public financial management; and
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
3.2 The diagram below, taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the ‘International Framework’), illustrates the various principles of good governance in the public sector and how they relate to each other.

![Diagram illustrating principles of good governance](image)

3.3 The Local Code specifically identifies the actions and behaviours taken by the Council in relation to each of these core principles and associated sub principles. The Code, along with its supporting infrastructure is set out below at Appendix A and is summarised in diagrammatic form in Appendix B.

3.4 The Audit Committee is responsible for approving this Code and it is recommended that this is annually reviewed and updated accordingly. This Code was approved by the Committee at its meeting on 3 April 2017 and has since been reviewed in May 2018 and May 2019.
### Appendix A - Actions and behaviours taken by the Council that demonstrate good governance.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Sub Principle</th>
<th>Council's Actions and Behaviours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behaving with integrity</td>
<td>Ensure that Members and Officers behave with integrity and lead a culture where acting in the public interest is visible and consistently demonstrated thereby protecting the reputation of the Council;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ensure that Members take the lead in establishing specific standard operating principles or values for the Council and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (The Nolan Principles);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lead by example and use the above standard operating principles or values as a framework for decision making and other actions; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which will be reviewed on a regular basis to ensure they are operating effectively.</td>
<td></td>
</tr>
<tr>
<td>Demonstrating strong commitment to ethical values</td>
<td>Seek to establish, monitor and maintain the Council’s ethical standards and performance;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Underpin personal behaviour with ethical values and ensure they permeate all aspects of the Council’s culture and operation;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Develop and maintain robust policies and procedures which place emphasis on agreed ethical values; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the Council.</td>
<td></td>
</tr>
<tr>
<td>Respecting the Rule of Law</td>
<td>Ensure Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Create the conditions to ensure that the statutory officers, other key post holders, and Members are able to fulfil their responsibilities in accordance with legislative and regulatory provisions;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deal with breaches of legal and regulatory provisions effectively; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ensure corruption and misuse of power is dealt with effectively.</td>
<td></td>
</tr>
<tr>
<td>Principle</td>
<td>Sub Principle</td>
<td>Council's Actions and Behaviours</td>
</tr>
<tr>
<td>-----------</td>
<td>--------------</td>
<td>---------------------------------</td>
</tr>
</tbody>
</table>
| (B) Ensuring openness and comprehensive stakeholder engagement | Openness | ▪ Ensure an open culture through demonstrating, documenting and communicating the Council’s commitment to openness;  
▪ Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption will be for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential will be provided;  
▪ Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and will be explicit about the criteria, rationale and considerations used. In due course, the Council will ensure that the impact and consequences of those decisions are clear; and  
▪ Use formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action. |
| | Engaging comprehensively with institutional stakeholders | ▪ Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably;  
▪ Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively; and  
▪ Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit. |
| | Engaging stakeholders effectively, including individual citizens and service users | ▪ Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes;  
▪ Ensure that communication methods are effective and that Members and Officers are clear about their roles with regard to community engagement;  
▪ Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs;  
▪ Implement effective feedback mechanisms in order to demonstrate how their views have been taken into account;  
▪ Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity; and  
▪ Take account of the interests of future generations of tax payers and service users. |
<table>
<thead>
<tr>
<th>Principle</th>
<th>Sub Principle</th>
<th>Council’s Actions and Behaviours</th>
</tr>
</thead>
</table>
| (C) Defining outcomes in terms of sustainable economic, social and environmental benefits | Defining outcomes | ▪ Have a clear vision, which is an agreed formal statement of the Council’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the Council’s overall strategy, planning and other decisions;  
▪ Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer;  
▪ Deliver defined outcomes on a sustainable basis within the resources that will be available;  
▪ Identify and manage risks to the achievement of outcomes; and  
▪ Manage service users’ expectations effectively with regard to determining priorities and making the best use of the resources available. |
| | Sustainable economic, social and environmental benefits | ▪ Consider and balance the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision;  
▪ Take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council’s intended outcomes and short-term factors such as the political cycle or financial constraints;  
▪ Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs; and  
▪ Ensure fair access to services. |
<table>
<thead>
<tr>
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<th>Sub Principle</th>
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<tr>
<td>(D) Determining the interventions necessary to optimise the achievement of the intended outcomes</td>
<td>Determining interventions</td>
<td>* Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided; and</td>
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<tr>
<td></td>
<td></td>
<td>* Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</td>
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<td></td>
<td>Planning interventions</td>
<td>* Establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets;</td>
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<td>* Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered;</td>
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<td>* Consider and monitor risks facing each partner when working collaboratively including shared risks;</td>
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<td>* Ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances;</td>
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<td>* Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured;</td>
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<td>* Ensure capacity exists to generate the information required to review service quality regularly;</td>
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<td></td>
<td>* Prepare budgets in accordance with organisational objectives, strategies and the medium term financial plan; and</td>
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<td></td>
<td>* Inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</td>
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<td></td>
<td>Optimising achievement of intended outcomes</td>
<td>* Ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints;</td>
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<td></td>
<td></td>
<td>* Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term;</td>
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<td></td>
<td>* Ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage; and</td>
</tr>
</tbody>
</table>
| | | * Ensure the achievement of ‘social value’ through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is “the additional benefit to the community…over and above the direct purchasing of goods, services and outcomes”.

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| (E) Developing the Council’s capacity | ▪ Review operations, performance use of assets on a regular basis to ensure their continuing effectiveness;  
▪ Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the Council’s resources are allocated so that outcomes are achieved effectively and efficiently;  
▪ Recognise the benefits of partnerships and collaborative working where added value can be achieved; and  
▪ Develop and maintain an effective workforce plan to enhance the strategic allocation of resources. |
| Developing the capability of the County Council’s leadership and other individuals | ▪ Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained;  
▪ Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body;  
▪ Ensure the Leader and the Chief Executive have clearly defined and distinctive leadership roles within a structure whereby the Chief Executive leads the Council in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other’s authority;  
▪ Develop the capabilities of Members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:  
➢ ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged;  
➢ ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and  
➢ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.  
▪ Ensure that there are structures in place to encourage public participation;  
▪ Take steps to consider the leadership’s own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections;  
▪ Hold staff to account through regular performance reviews which take account of training or development needs; and  
▪ Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. |
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| Managing risks and performance through robust internal control and strong public financial management | Managing Risk | ▪ Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making;  
▪ Implement robust and integrated risk management arrangements and ensure that they are working effectively; and  
▪ Ensure that responsibilities for managing individual risks are clearly allocated. |
| | Managing Performance | ▪ Monitor service delivery effectively including planning, specification, execution and independent post implementation review;  
▪ Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the Council’s financial, social and environmental position and outlook;  
▪ Ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the Council’s performance and that of any organisation for which it is responsible;  
▪ Provide Members and senior management with regular reports on service delivery plans and on progress towards outcome achievement; and  
▪ Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). |
| | Robust internal control | ▪ Align the risk management strategy and policies on internal control with achieving objectives;  
▪ Evaluate and monitor the Council’s risk management and internal control arrangements on a regular basis;  
▪ Ensure effective counter fraud and anti-corruption arrangements are in place;  
▪ Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor;  
▪ Ensure an Audit Committee which is independent of the executive and accountable to the Council:  
  ➢ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and  
  ➢ that its recommendations are listened to and acted upon. |
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<tbody>
<tr>
<td>(F) Managing risks and performance through robust internal control and</td>
<td>Managing Data</td>
<td>▪ Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data;</td>
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<tr>
<td>strong public financial management</td>
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<td>▪ Ensure effective arrangements are in place and operating effectively when sharing data with other bodies; and</td>
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<td></td>
<td>▪ Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring;</td>
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<td></td>
<td>Strong public financial</td>
<td>▪ Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance; and</td>
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<td>management</td>
<td>▪ Ensure well –developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</td>
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</table>
| (G) Implementing good practices in transparency, reporting and audit to deliver effective accountability | Implementing good practice in transparency | ▪ Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate; and  
▪ Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. |
| | Implementing good practices in reporting | ▪ Report at least annually on performance, value for money and the stewardship of its resources to stakeholders in a timely and understandable way;  
▪ Ensure Members and senior management own the results;  
▪ Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (Annual Governance Statement);  
▪ Ensure that the Framework is applied to jointly managed or shared service organisations as appropriate; and  
▪ Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations. |
| | Assurance and effective accountability | ▪ Ensure that recommendations for corrective action made by external audit are acted upon;  
▪ Ensure an effective internal audit service with direct access to Members is in place which provides assurance with regard to governance arrangements and that recommendations are acted upon;  
▪ Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations;  
▪ Gain assurance on risks associated with delivering services through third parties and evidence this in the annual governance statement; and  
▪ Ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met. |
Appendix B – Central Bedfordshire Council’s Corporate Governance Framework

“The International Framework: Good Governance in the Public Sector‘ defines ‘governance’ as comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework also states that to deliver good governance in the public sector both governing bodies and individuals working for them must try to achieve the Council’s objectives while acting in the public interest at all times.

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<tr>
<td>Constitution</td>
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<td>Committee Reports</td>
<td>Budget Consultation</td>
<td>Constitution</td>
<td>Constitution</td>
<td>Audit Committee</td>
<td></td>
</tr>
<tr>
<td>Code of Financial Governance</td>
<td>Decision making Committees</td>
<td>Five Year Plan, setting out objectives</td>
<td>Other Consultations</td>
<td>Member Induction</td>
<td>Code of Financial Governance</td>
<td>Overview and Scrutiny Committees</td>
<td></td>
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<tr>
<td>Code of Procurement Governance</td>
<td>Overview and Scrutiny Committees</td>
<td>Consultations</td>
<td>Stakeholder Engagement</td>
<td>Member Development Programme</td>
<td>Audit Committee</td>
<td>Decision Making Protocols</td>
<td></td>
</tr>
<tr>
<td>Ethical Handbook within Constitution</td>
<td>Council website includes published calendar of meetings, including agenda printed minutes and key decisions.</td>
<td>Risk Management Strategy</td>
<td>Option Appraisals</td>
<td>Workforce and Organisational Development Strategy and Work streams</td>
<td>Overview and Scrutiny Committees</td>
<td>External audit of accounts and value for money opinion</td>
<td></td>
</tr>
<tr>
<td>Member Induction</td>
<td>Webcasting of meetings</td>
<td>Strategic performance, financial and risk reporting framework</td>
<td>Five Year Plan, setting out objectives</td>
<td>Secondments</td>
<td>Risk Management Strategy</td>
<td>Annual Statement of Accounts</td>
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<td>Member Development Programme</td>
<td>Public Meetings</td>
<td>Scrutiny Framework</td>
<td>Medium Term Financial Plan</td>
<td>Leadership Development Programme</td>
<td>Emergency/Business Continuity Management</td>
<td>Annual Governance Statement / Assurance Framework</td>
<td></td>
</tr>
<tr>
<td>Audit Committee</td>
<td>Online Council Tax information</td>
<td>Environmental Information Regulations (EIR)</td>
<td>Strategic Commissioning Plans</td>
<td>Your Year/360 reviews</td>
<td>External audit of accounts and value for money opinion / Statement of Accounts</td>
<td>Internal Audit Service</td>
<td></td>
</tr>
<tr>
<td>Standards Sub Committee</td>
<td>Five Year Plan, setting out objectives</td>
<td>Medium Term Financial Plan</td>
<td>Risk Management Strategy</td>
<td>Consideration of alternative service delivery models/ Shared Services e.g. LGSS</td>
<td>Medium Term Financial Plan</td>
<td>Strategic performance, financial and risk reporting framework</td>
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<td>Scrutiny Framework</td>
<td>Consultations</td>
<td>Capital Programme</td>
<td>Consideration of alternative service delivery models/ Shared Services e.g. LGSS</td>
<td>Continuing Professional Development Programmes</td>
<td>Consideration of risk in decision making processes (e.g. Committee reports).</td>
<td>Open Data and Transparency Code</td>
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<tr>
<td>Scheme for Financing Schools</td>
<td>Customer feedback / Complaints Policy</td>
<td>Transport Strategy and associated strategies</td>
<td>Medium Term Financial Plan</td>
<td>Benchmarking</td>
<td>Risk Based Internal Auditing Service / planning</td>
<td>External inspections/peer reviews</td>
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<tr>
<td>Financial Regulations for Schools</td>
<td>Annual Statement of Accounts and Annual Governance Statement published</td>
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<td></td>
<td>Safety, Health and Wellbeing</td>
<td>Head of Internal Audit and Risk’s Annual Opinion / Report</td>
<td>Publication Scheme Statement</td>
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<td>Statutory Officers Roles</td>
<td>Community Engagement Strategy</td>
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<td>Members and Officers Codes of Conduct</td>
<td>Partnership arrangements.</td>
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<td>Members / Officers Register of Interests / Register of Gifts and Hospitality</td>
<td>Partnership Protocol</td>
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<td>Information Risk Management Process</td>
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<tr>
<td>Protocol for Member Officer Relations</td>
<td>Publication Scheme Statement</td>
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<td>Information Asset Risk Register</td>
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<tr>
<td>Anti-Fraud and Corruption Strategy (including Anti Bribery)</td>
<td>Local Code of Governance</td>
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<td>IT Acceptable Usage Policy</td>
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<td>Confidential Reporting Code (Whistleblowing)</td>
<td>Social Media</td>
<td>Compliance with EU data protection law allowing greater control of individuals over personal data processed by the Council</td>
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<td>Risk Management Strategy</td>
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<td>Complaints Procedure</td>
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<td>IT Acceptable Usage Policy</td>
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<tr>
<td>Transsexual, Transgender and Gender Reassignment guidance</td>
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<td>Council's Vision and Values</td>
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To note a report from Ernst & Young LLP, previously considered at the last meeting of the Committee and attached for the benefit of new Members.
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
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.psaa.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.
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

<table>
<thead>
<tr>
<th>Risk / area of focus</th>
<th>Risk identified</th>
<th>Change from PY</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misstatements due to fraud or error</td>
<td>Fraud risk</td>
<td><strong>No change in risk or focus</strong></td>
<td>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.</td>
</tr>
<tr>
<td>Incorrect capitalisation of revenue expenditure</td>
<td>Fraud risk</td>
<td><strong>Change in risk or focus</strong></td>
<td>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.</td>
</tr>
<tr>
<td>Valuation of property</td>
<td>Significant risk</td>
<td><strong>Change in risk or focus</strong></td>
<td>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.</td>
</tr>
</tbody>
</table>
## 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

<table>
<thead>
<tr>
<th>Risk / area of focus</th>
<th>Risk identified</th>
<th>Change from PY</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Valuation and Disclosures</td>
<td>Inherent risk</td>
<td>Change in risk</td>
<td>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. 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. 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.</td>
</tr>
<tr>
<td>New Accounting Standards</td>
<td>Inherent risk</td>
<td>New risk identified this year</td>
<td>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.</td>
</tr>
</tbody>
</table>
Overview of our 2018/19 audit strategy

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Planning materiality</th>
<th>Performance materiality</th>
<th>Audit differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£10.7m</strong></td>
<td></td>
<td><strong>£8m</strong></td>
<td><strong>£0.54m</strong></td>
</tr>
</tbody>
</table>

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 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.

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.

<table>
<thead>
<tr>
<th>Misstatements due to fraud or error *</th>
<th>What is the risk?</th>
<th>What will we do?</th>
</tr>
</thead>
</table>
| | 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. | ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.  
▶ Understanding the oversight given by those charged with governance of management’s processes over fraud.  
▶ Consideration of the effectiveness of management’s controls designed to address the risk of fraud.  
Perform mandatory procedures regardless of specifically identified fraud risks, including:  
▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements  
▶ Assessing accounting estimates, such as bad debt and business rate appeals provision, for evidence of management bias, and  
▶ Evaluating the business rationale for significant unusual transactions. |

In addition to our overall response, we consider where these risk may manifest themselves and identify separate fraud risks below.
### Our response to significant risks (continued)

<table>
<thead>
<tr>
<th>Incorrect capitalisation of revenue expenditure*</th>
<th>What is the risk?</th>
<th>What will we do?</th>
</tr>
</thead>
</table>
| 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 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. | We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect capitalisation of revenue expenditure:  
- 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;  
- 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. |
## Audit risks

### Significant risk – valuation of property

### 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.

### 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 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.
Audit risks

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.
## 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.

<table>
<thead>
<tr>
<th>What is the risk/area of focus?</th>
<th>What will we do?</th>
</tr>
</thead>
</table>
| **Accounting for the net pension liability**  
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.  
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.  
The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.  
Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.  
ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. | 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:  
- Liaise with the auditors of Bedfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Central Bedfordshire Council;  
- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and  
- Review and test the accounting entries and disclosures made within the Council’s financial statements in relation to IAS19. |

**Guaranteed minimum pension equalisation**  
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.  
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.  
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. | We will engage EY pension 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.

<table>
<thead>
<tr>
<th>What is the risk/area of focus?</th>
<th>What will we do?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IFRS 9 financial instruments</strong></td>
<td>We will:</td>
</tr>
</tbody>
</table>
| 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. |  
  ▶ 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. |

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.
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

<table>
<thead>
<tr>
<th>What is the significant value for money risk?</th>
<th>What arrangements does the risk affect?</th>
<th>What will we do?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The continuing requirement to deliver high levels of savings represents a challenge for the Council.</td>
<td>▪ Deploy resources in a sustainable manner</td>
<td>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:</td>
</tr>
<tr>
<td>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.</td>
<td></td>
<td>▪ 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</td>
</tr>
<tr>
<td>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.</td>
<td></td>
<td>▪ assess the effectiveness of in year monitoring of progress against efficiency targets</td>
</tr>
<tr>
<td>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.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Audit 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.

### Gross expenditure on provision of services
£596m

### Performance materiality
£8m

### Planning materiality
£10.7m

### Audit differences
£0.5m

**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.

We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.
05 Scope of our audit
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.
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:

- Neil Harris
  Associate Partner
- Carol Ryan
  Senior Manager
- Heather Rothwell-Trickett
  Senior

Specialists:
- EY Valuations team
- EY actuaries
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:

<table>
<thead>
<tr>
<th>Area</th>
<th>Specialists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation of Land and Buildings</td>
<td>EY Valuations Team</td>
</tr>
<tr>
<td></td>
<td>Central Bedfordshire internal and external valuers</td>
</tr>
<tr>
<td>Pensions disclosure</td>
<td>EY Actuaries</td>
</tr>
<tr>
<td></td>
<td>Hymans Robertson</td>
</tr>
<tr>
<td></td>
<td>PwC (appointed by the NAO)</td>
</tr>
<tr>
<td>Fair Value Investment Measurement</td>
<td>Arlingclose</td>
</tr>
</tbody>
</table>

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.
Audit timeline
# Audit timeline

## Timetable of communication and deliverables

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.

<table>
<thead>
<tr>
<th>Audit phase</th>
<th>Timetable</th>
<th>Audit Committee timetable</th>
<th>Deliverables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning:</td>
<td>December</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk assessment and setting of scopes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim audit testing</td>
<td>February</td>
<td>March 2019</td>
<td>Audit Planning Report</td>
</tr>
<tr>
<td>Walkthrough of key systems and processes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year end audit</td>
<td>June/July</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit Completion procedures</td>
<td>July</td>
<td>July 2019</td>
<td>Audit Results Report, Audit opinions and completion certificates</td>
</tr>
<tr>
<td>Conclusion of reporting</td>
<td>August</td>
<td></td>
<td>Annual Audit Letter</td>
</tr>
</tbody>
</table>
## Independence

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

<table>
<thead>
<tr>
<th>Planning stage</th>
<th>Final stage</th>
</tr>
</thead>
</table>
| ► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;  
  ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;  
  ► The overall assessment of threats and safeguards;  
  ► Information about the general policies and process within EY to maintain objectivity and independence.  
  ► Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation] | ► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;  
  ► Details of non-audit services provided and the fees charged in relation thereto;  
  ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;  
  ► Written confirmation that all covered persons are independent;  
  ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;  
  ► Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and  
  ► An opportunity to discuss auditor independence issues. |

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

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

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

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

### Overall Assessment

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

### Self interest threats

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

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

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits 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.
### Independence

**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:

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.

<table>
<thead>
<tr>
<th></th>
<th>Planned fee 2018/19</th>
<th>Scale fee 2018/19</th>
<th>Final Fee 2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Total Fee - Code work</td>
<td>107,389</td>
<td>107,389</td>
<td>139,466</td>
</tr>
<tr>
<td>Non-audit services - Housing Benefits</td>
<td>Note 2</td>
<td>Note 2</td>
<td>26,910 Note 1</td>
</tr>
<tr>
<td>Non-audit services - Teachers’ Pensions</td>
<td>n/a</td>
<td>n/a</td>
<td>8,000 Note 3</td>
</tr>
<tr>
<td>Non-audit services - Pooling</td>
<td>n/a</td>
<td>n/a</td>
<td>4,000 Note 3</td>
</tr>
</tbody>
</table>

*All fees exclude VAT*

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.

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.
## Appendix B

### Required communications with the Audit Committee

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

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terms of engagement</td>
<td>Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</td>
<td>The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.</td>
</tr>
<tr>
<td>Our responsibilities</td>
<td>Reminder of our responsibilities as set out in the engagement letter</td>
<td>The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.</td>
</tr>
<tr>
<td>Planning and audit approach</td>
<td>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</td>
<td>Audit Plan - March Audit Committee</td>
</tr>
<tr>
<td>Significant findings from the audit</td>
<td>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures &lt;br&gt; ▶ Significant difficulties, if any, encountered during the audit &lt;br&gt; ▶ Significant matters, if any, arising from the audit that were discussed with management &lt;br&gt; ▶ Written representations that we are seeking &lt;br&gt; ▶ Expected modifications to the audit report &lt;br&gt; ▶ Other matters if any, significant to the oversight of the financial reporting process</td>
<td>Audit Results Report - July Audit Committee</td>
</tr>
<tr>
<td>Going concern</td>
<td>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: &lt;br&gt; ▶ Whether the events or conditions constitute a material uncertainty &lt;br&gt; ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements &lt;br&gt; ▶ The adequacy of related disclosures in the financial statements</td>
<td>Audit Results Report - July Audit Committee</td>
</tr>
</tbody>
</table>
## Required communications with the Audit Committee (continued)

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
</table>
| **Misstatements**       | • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation  
                          | • The effect of uncorrected misstatements related to prior periods           | Audit Results Report – July Audit Committee                         |
|                         | • A request that any uncorrected misstatement be corrected                      |                                                                     |
|                         | • Corrected misstatements that are significant                                  |                                                                     |
|                         | • Material misstatements corrected by management                                |                                                                     |
| **Fraud**               | • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity | Audit Results Report – July Audit Committee                         |
|                         | • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist |                                                                     |
|                         | • A discussion of any other matters related to fraud                           |                                                                     |
| **Related parties**     | • Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:  
                          | • Non-disclosure by management                                                 | Audit Results Report – July Audit Committee                         |
|                         | • Inappropriate authorisation and approval of transactions                      |                                                                     |
|                         | • Disagreement over disclosures                                                 |                                                                     |
|                         | • Non-compliance with laws and regulations                                      |                                                                     |
|                         | • Difficulty in identifying the party that ultimately controls the entity       |                                                                     |
| **Independence**        | Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, objectivity and independence  
                          | Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as: | Audit Plan - March Audit Committee  
                          | • The principal threats                                                          | Audit Results Report – July Audit Committee |
|                         | • Safeguards adopted and their effectiveness                                    |                                                                     |
|                         | • An overall assessment of threats and safeguards                               |                                                                     |
|                         | • Information about the general policies and process within the firm to maintain objectivity and independence |
### Required communications with the Audit Committee (continued)

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
</table>
| External confirmations  | • Management’s refusal for us to request confirmations  
                       • Inability to obtain relevant and reliable audit evidence from other procedures                                                                                                                      | Audit Results Report – July Audit Committee        |
| Consideration of laws and regulations | • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off  
  • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of                        | Audit Results Report – July Audit Committee        |
| Internal controls       | • Significant deficiencies in internal controls identified during the audit                                                                                                                                          | 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         | • Any circumstances identified that affect the form and content of our auditor’s report                                                                                                                         | Audit Results Report – July Audit Committee        |
| Fee Reporting           | • Breakdown of fee information when the audit plan is agreed  
                       • Breakdown of fee information at the completion of the audit  
                       • Any non-audit work                                                                                                                                         | Audit Plan - March Audit Committee  
Audit Results Report – July Audit Committee |
| Certification work      | Summary of certification work undertaken                                                                                                                                                                           | Certification report – March Audit Committee       |
### 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.

<table>
<thead>
<tr>
<th>Our responsibilities required by auditing standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 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.</td>
</tr>
<tr>
<td>- 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.</td>
</tr>
<tr>
<td>- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.</td>
</tr>
<tr>
<td>- Concluding on the appropriateness of management's use of the going concern basis of accounting.</td>
</tr>
<tr>
<td>- 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.</td>
</tr>
<tr>
<td>- 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</td>
</tr>
<tr>
<td>- Maintaining auditor independence.</td>
</tr>
</tbody>
</table>

### 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.
10. Update on Shared Legal Service

To receive a presentation which provides a brief update on matters of interest relating to LGSS Law Ltd.
Update on Shared Legal Service

Audit Committee  29 May 2019
Purpose

The Audit Committee received an update on the legal shared service on 19 November 2018 at which a subsequent update was requested in six months’ time.

This presentation to the Audit Committee provides a brief update on matters of interest.
Service Headlines

• Outputs from the 2018 Annual User Survey show overall satisfaction rating with the service of 75% - up from 64% the previous year
• Childcare Law shows a 100% satisfaction rating
• End of case feedback forms show a satisfaction rating of 95%
• Issues continue with timeliness of responses to some case work
• Issues continue with the level of support provided to Planning & Highways
Improvements and Actions (1)

In addition to ongoing service improvements across all services, a Service Improvement Plan for Planning has been implemented to include:

- Updating template documents to reduce inputs/costs
- Implementing process flowcharts to improve understanding of key inputs from clients and legal advisers
- Implementing case trackers
- Improving communications between officers and LGSS Law advisers to improve timeliness of responses in both directions
End of case survey response rates remain relatively low. In response to this:

- Low response groups are contacted for discussion
- Queries raised with low responding service areas have resulted in changes to the feedback forms
- Multiple recurring transactions (such as volume housing/leases) will be reviewed to allow for a single service response
Improved Commissioning Behaviours

Examples of non-value adding officer practices which persist include:

• Requesting lawyer attendance at meetings where not necessary
• Utilising paralegals for meeting minutes

These continue to be scrutinised and challenged where they occur.
Value For Money and Cost Control

• Whilst the overall volume, and therefore cost, of care work has increased VFM needs to be set against case outcomes – CBC average case duration has improved to 23 weeks against a national average of 32 weeks

• CBC Housing has completed a benchmarking exercise for housing transactional work which will underpin the Fixed Fee Agreements (FFAs) to control costs

• Reconciliation of historic bills, moving disbursements to a weekly rather than monthly billing cycle and changes to the way external s106 work is billed, have all reduced transaction time/costs for the Council
Customer / Supplier Relationship

We have continued to build a positive and partnering relationship. Specific measures in place:

• Dedicated CBC single point of contact for all service and admin matters
• Access to LGSS Law senior management
• Frequent meetings (monthly)
• Two-way feedback between CBC and LGSS Law

We have invested in the LGSS Law relationship and seen significant improvements as a result. This also provides an opportunity for LGSS Law to highlight to CBC where improvements can be made and thereby help save money / improve quality for CBC.
LGSS Law Company Performance

- Non-Executive Chairman has been appointed and commenced work
- Interim senior management has been confirmed in place
- Much improved reporting and understanding of utilisation is in place (time recording of fee earners)
- Enhanced quality of billing and supporting management information has been maintained
- There are now fewer debt queries and challenges
- Outstanding debt being addressed and much reduced
- CBC debt is all “current”
- CCC and NCC debt position is improved but some problems exist in processing of invoices and payments
LGSS Law Company Strategy

- Recent Strategy Workshop held for Board, Shareholder representatives and Chief Executives
- Company direction of travel has been agreed by all parties
- This is for a high quality “partnering” service to shareholder councils at below market charge out rates
- Shareholder business will therefore be break even at best
- Plan to attract district council business (mainly planning and property) at higher rates
- Maximum of 20% of company turnover can come from non-shareholders
- Recent Board meeting has set the budget for 2019/20
- Confirmed as a break even position for the financial year
Conclusion

• The original business case for sharing legal services is broadly on track but has evolved to some extent
• Recognition that the emphasis is on break even partnering approach rather then maximising profit
• Stability of the business is key to obtaining this – dependent on high utilisation rates across all teams
• Company structure and resourcing remains under review to obtain the most efficient mix of skills and expertise
• Good progress is being made but has taken longer than originally anticipated
11. 2019/20 Internal Audit Plan

To consider the Internal Audit Plan for 2019/20.
Purpose of this report

1. The purpose of this report is to present the 2019/20 Internal Audit Plan for review and approval.

RECOMMENDATIONS

The Committee is asked to:


Issues

Background

1. The Public Sector Internal Auditing Standards, effective from 1st April 2013, require the Head of Internal Audit to establish risk based plans to determine the priorities of internal audit activity, consistent with the organisation’s goals. This should be supported by a documented risk assessment, giving consideration to the input of senior management.
2019/20 Internal Audit Plan

2. In preparing the audit plan, consideration has been given to the requirement for the Head of Internal Audit to deliver an annual internal audit opinion on the overall adequacy and effectiveness of the Councils framework of governance, risk management and control (as required by the Public Sector Internal Auditing Standards).

3. The updated plan has been informed through:
   - reference to the previous Audit Needs Assessment undertaken
   - consultation with senior management
   - Internal Audit's own analysis of risk areas
   - outcomes of previous audits
   - reference to the strategic risk registers
   - the outcome of the assurance mapping exercise on the risks documented within the Strategic Risk Register, and
   - consideration of the requirements of the Public Sector Internal Audit Standards to include reviews on control, risk, ethics and governance issues.

4. In developing the audit plan, consideration has been given to:
   - providing assurance on the Council's fundamental systems
   - ICT assurance work
   - grant claim sign off work
   - system reviews of key service activities
   - follow up work, where appropriate
   - consultancy and advice
   - engagement in key transformation programmes and projects, as appropriate
   - new Government initiatives
   - local initiatives
   - the need to ensure that basic systems and controls are robust and being complied with at a time when the Council is refining a number of processes to improve service delivery and increase efficiencies.

5. It is important to recognise the need for flexibility in the approach to our audit work. The approach adopted recognises that organisational and business transformation changes are continuous within Central Bedfordshire and acknowledges that, as a result, the control environment is subject to change. A contingency has been included within the plan to ensure that Internal Audit can respond accordingly. The plan includes provision for a rolling programme of reviews in several areas, including information governance, corporate governance, contracts management and partnership governance. The recent discussions with directors have identified potential areas to audit. The specific areas for review will be determined based on the progress of planned initiatives and may involve Internal Audit being involved in the early stages of development, as appropriate.
6. The approach to the delivery of the fundamental systems audits has been discussed with Ernst and Young, the Council’s external auditors.

7. The plan has been discussed and agreed with the Corporate Management Team.

8. The Audit Plan is attached at Appendix A.

Council Priorities

9. 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

10. 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.

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

Financial and Risk Implications

12. 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

13. 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.

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. Approval by the Audit Committee of the revisions to the Internal Audit Plan will ensure that Internal Audit can progress its work in line with an agreed approach.

16. The Audit Committee can then use the final plan to monitor the work of internal audit to ensure that appropriate assurance is provided on the Council’s systems.

Appendices

Appendix A: 19/20 Internal Audit Plan

Background Papers

None

Report author(s): Clint Horne
Head of Internal Audit and Risk
clint.horne@centralbedfordshire.gov.uk
Internal Audit & Risk
2019-20 Audit Plan
April 2019
Contents

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2 STRATEGIC AIMS AND OBJECTIVES............................................................................................................. 2
3 AUDIT NEEDS ASSESSMENT................................................................................................................................. 3
4 PRIORITIES FOR INTERNAL AUDIT WORK...................................................................................................... 4
5 AUDITOR INDEPENDENCE.................................................................................................................................. 4
6 INTERNAL AUDIT RESOURCES............................................................................................................................ 4
7 REPORTING.......................................................................................................................................................... 4
Internal Audit Plan 2019/ 20

1 Background

1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit and Risk to establish risk based audit plans to determine the priorities for internal audit work, consistent with the Council’s objectives. In preparing this plan, the Head of Internal Audit and Risk is required to take account of the Council’s:

- Risk management framework, and relative risk maturity of the organisation
- Assurance framework
- Vision, objectives and priorities and
- How the work will address local and national issues and risks.

1.2 The Head of Internal Audit and Risk is required to provide an annual opinion to the Council and to the Director of Resources, through the Audit Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. The plan, therefore, needs to be sufficient to enable this opinion to be issued. In addition the results of Internal Audit’s reviews will help inform the Annual Governance Statement.

1.3 The audit plan has been agreed with senior management and was approved by the Audit Committee on 29th May 2019 (TBC).

1.4 The plan will be subject to ongoing review by the Head of Internal Audit and Risk, in consultation with senior management, and significant revisions will be presented to the Audit Committee. Revisions made would be in response to changes in the Council’s business, risks, operations, programmes, systems or controls.

1.5 The plan will be delivered in accordance with the Internal Audit Charter and Internal Audit Engagement Protocol.

2 Strategic Aims and Objectives

2.1 Internal Audit supports the Council in its vision and strategic priorities, which sets the Council’s focus over the coming years.

2.2 Internal Audit strives to provide a high-quality service that gives management reasonable assurance on the effectiveness of the Council’s internal control environment and acts as an agent for change by making recommendations for continual improvement. The service aims to be flexible, pragmatic and deliver a service in collaboration with management to suit organisational needs. Through a risk-based approach, the service will aim to make a positive contribution to corporate governance arrangements and assist management in developing a framework for achieving objectives within acceptable levels of risk. Within the team, it is intended to provide a work environment that is both supportive and challenging to facilitate the development and retention of high calibre staff.
3 Audit Needs Assessment

3.1 The Internal Audit Plan has been prepared following an audit needs assessment. The assessment focuses internal audit work on key risk areas whilst ensuring comprehensive coverage by prioritising its work and considering;

- previous audit needs assessments undertaken
- consultation with senior management
- Internal Audit’s own analysis of risk areas
- outcomes of previous audits
- known areas of concern
- reference to the strategic and operational risk information
- the outcome of the assurance mapping exercise on the risks documented within the Strategic Risk Register
- the requirements of the Public Sector Internal Audit Standards to include reviews of risk, control, ethics and governance.

3.3 In developing the audit plan consideration has also been given to;

- providing assurance on the Council’s fundamental systems
- ICT assurance work
- grant claim sign off work
- Anti Fraud activity
- system reviews of key service activities, including governance arrangements
- follow up work, where appropriate
- key contracts and partnership arrangements
- consultancy and advice
- special investigations
- engagement in key transformation programmes and projects, as appropriate
- new Government initiatives,
- local initiatives, including the Medium-Term Plan
- the need to ensure that basic systems and controls are robust and being complied with at a time when the Council is going through a period of significant change.

3.4 The plan (Appendix 1) includes provision for a rolling programme of reviews in several areas, including information governance, corporate governance, contracts management and partnership governance. The specific areas for review will be determined based on the progress of planned initiatives and may involve Internal Audit being involved in the early stages of development, as appropriate.

3.6 Being a risk-based plan, it has been designed to provide some capacity to allow for the timely review of important issues / key risk areas that may arise throughout the course of the year. We will seek regular intelligence from both internal and external means, which will undergo a risk assessment to determine whether it will be added to our work plan.
4 Priorities for Internal Audit Work

4.1 When preparing the audit plan, the following list represents the classification within which audits are considered:

- audits in progress from previous year
- fundamental system assurance work
- mandatory work, such as grant certification
- follow up of “No assurance” audits or audits where on going risks have been identified
- audits to mitigate key control weaknesses identified in the risk registers and through research and discussion with senior managers
- new developments
- unplanned work (contingency).

5 Auditor Independence

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

5.2 Internal auditors are required to declare any personal interests which may impact on their objectivity and these are factored into audit planning.

5.3 Internal Audit recognises the Authority continues to go through a period of significant change and therefore significant time has been earmarked to supporting that by way of consultancy services, such as providing advice on implementing new systems and controls. To maintain independence, any audit staff involved in significant consulting activity will not be directly involved in the audit of that area for at least 12 months, or their involvement will be managed by someone independent of the consultancy activity.

6 Internal Audit Resources

6.1 Internal Audit will be appropriately staffed in terms of numbers, qualifications and experience, having regard to its objectives and to the standards within which it is required to operate.

6.2 The Head of Internal Audit and Risk is responsible for ensuring that the resources of the Internal Audit section are sufficient to meet its responsibilities and achieve its objectives. They will also ensure that the appropriate mix of qualifications, experience and audit skills exist within the unit.

6.3 If a situation arose whereby Internal Audit resources were insufficient, the Head of Internal Audit and Risk would discuss this with the Director of Resources.

6.4 Internal Auditors will maintain their professional competence through an appropriate ongoing development programme.

6.5 It may be necessary, from time to time, to buy in either agency staff or sub-contractors, of a suitable quality.

7 Reporting

7.1 Reporting will be in accordance with the Internal Audit Charter.

7.2 As required by the PSIAS any significant consulting activity not already included in the Audit Plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee.
<table>
<thead>
<tr>
<th>Priority</th>
<th>Audit Title</th>
<th>19/20 days</th>
<th>Risk</th>
<th>19/20 Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>Performance Management (Data quality)</td>
<td>15</td>
<td>STR0013</td>
<td>Rolling programme: High level overview of KPIs &amp; Dipstick review of some supporting data.</td>
</tr>
<tr>
<td>M</td>
<td>Project / Programme Governance Review</td>
<td>15</td>
<td>Governance / STR0041</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>Information Governance</td>
<td>20</td>
<td>STR0013</td>
<td>Rolling programme</td>
</tr>
<tr>
<td>M</td>
<td>Ethical Governance</td>
<td>25</td>
<td>Governance</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>Corporate Governance Review</td>
<td>20</td>
<td>Governance</td>
<td>Rolling programme: 2 New Subsidiaries: - New Housing Delivery vehicle. - ASC Company 19/20 or 20/21?</td>
</tr>
<tr>
<td>M</td>
<td>Contracts Management</td>
<td>25</td>
<td>Governance</td>
<td>Key Contracts Council wide (not reviewed individually)</td>
</tr>
<tr>
<td>M</td>
<td>Sickness Monitoring</td>
<td>9</td>
<td>Operational</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>Budgetary Control</td>
<td>15</td>
<td>STR001</td>
<td>Rolling programme: specific focus in 18/19 tbd</td>
</tr>
<tr>
<td>M</td>
<td>Staff Starters, Leavers, Internal Moves</td>
<td>15</td>
<td>Operational</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>Highest risks resulting from Annual Fraud Risk Assessment</td>
<td>30</td>
<td>Pro-active Fraud</td>
<td>Will include: - identity checking corporately. – high volume, low value contract payments.</td>
</tr>
</tbody>
</table>

| Resources |                                                            |            |           |                                                                  |
|-----------|------------------------------------------------------------|------------|-----------|                                                                  |
| H         | Accounts Payable                                           | 45         | STR001    | Post SAP S4 Hana implementation                                  |
| H         | Accounts Receivable (including debt recovery)              | 40         | STR001    | Post SAP S4 Hana implementation                                  |
| H         | Main Accounting Systems (MAS)                              | 45         | STR001    | Post SAP S4 Hana implementation                                  |
| H         | Payroll                                                    | 45         | STR001    | Post SAP S4 Hana implementation                                  |
| H         | Council Tax                                                | 30         | STR001    | Post SAP S4 Hana implementation                                  |
### Childrens Services

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Roles</th>
<th>Department</th>
<th>Priority</th>
<th>Activity</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>Schools General-School Improvement</td>
<td></td>
<td>Governance</td>
<td>60</td>
<td>Operational</td>
<td>10 x Desktop reviews with targeted site visit.</td>
</tr>
<tr>
<td>M</td>
<td>Schools Thematic Review - Budget Setting / Management</td>
<td></td>
<td>Governance</td>
<td>10</td>
<td>STR0042</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>Fostering Allowances</td>
<td></td>
<td>Operational</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>Social Worker Recruitment &amp; Retention</td>
<td></td>
<td>Operational</td>
<td>12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Community Services

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Roles</th>
<th>Department</th>
<th>Priority</th>
<th>Activity</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>Corporate Health &amp; Safety - Compliance</td>
<td></td>
<td>Operational</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>Taxi Licensing</td>
<td></td>
<td>Operational</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IT Reviews - see below</td>
<td></td>
<td>STR0008/ 33</td>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H</td>
<td>Cyber Security Follow-up</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H</td>
<td>Storage, Hypervisors &amp; Hosts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H</td>
<td>SAP Basis / Access &amp; Authorisations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>Mosaic Application review</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>Payment Card Industry - Data Security Standards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>PSN Compliance / Cyber Essentials +</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Regeneration & Business

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Roles</th>
<th>Department</th>
<th>Priority</th>
<th>Activity</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>HIF Governance</td>
<td></td>
<td>Governance</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>Planning Control</td>
<td></td>
<td>Operational</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>Directorate Procurement - New Professional Services Framework</td>
<td></td>
<td>Operational</td>
<td>10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### SCHH

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Roles</th>
<th>Department</th>
<th>Priority</th>
<th>Activity</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>H</td>
<td>Customer flow for 'I have care needs'</td>
<td></td>
<td>STR0032</td>
<td>25</td>
<td></td>
<td>- concentrate on Learning Disabilities</td>
</tr>
<tr>
<td>H</td>
<td>Care Contract Management / quality Control</td>
<td></td>
<td>STR0032</td>
<td>20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Customer flow for 'I need a home'
- STR0037/ 39

## Private Sector Leasing arrangements
- STR0037/ 39

## Transitioning from Children's to Adults
- STR0032/ 37

## Housing - Planned Maintenance
- Operational

### Ad Hoc Consultancy etc.

| M | National Fraud Initiative (NFI) | 20 | Fraud | Statutory responsibility |
| M | Special Investigations           | 40 | Fraud |
| M | Major projects - Consultancy     | 80 | Governance | SAP S4 Hana, Swift Financials replacement, Acolaid Replacement, other key change programmes |
| H | Risk Management Activities       | 55 | All Risks | Increased allocation to support delivery of the Zurich action plan |
| M | Supporting Annual Governance Statement | 6 | Governance | Statutory responsibility |
| M | Audit of Individual Grants       | 30 | STR001 | To include, but may not be limited to Troubled Families, Bus Services Operators, Disabled Facilities, Broadband, Highway Maintenance. |
| M | General Advice                   | 20 |
| M | Head of Audit Chargeable Against Plan | 60 |
| M | Assurance Mapping Review         | 5 |
| L | Benchmarking Exercise            | 5 |
| L | IDEA development                 | 5 |

### Carry over work / Contingency

| H | Completion of reviews in progress as at 31st March | 120 | Capacity to review high importance areas that arise in year. Follow up reviews will also be met from the contingency. |
| M | Contingency                                    | 70 | |

**Total**: 1220
12. Annual Audit Opinion for 2018/19

To consider the annual report to those charged with governance on the overall adequacy and effectiveness of the Council's financial and other management internal controls.
Central Bedfordshire Council

AUDIT COMMITTEE 29 May 2019

Annual Audit Opinion for 2018/19

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

Purpose of this report

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

RECOMMENDATIONS

The Committee is asked to:

1. Consider and comment on the contents of the report.
2. Note that the Head of Internal Audit and Risk’s opinion on the Council’s Internal Control environment is that overall it continues to be adequate, however there is some concern in relation to the control environment within IT.

Issues

Background

2. The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices. The applicable standards for 2018/19 were the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and were revised in April 2017. In accordance with the standards, the Head of Internal Audit and Risk is required to deliver a report to those charged with governance, timed to support the Annual Governance Statement, which must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.
3. This report:
   - Presents an opinion on the overall adequacy and effectiveness of Central Bedfordshire’s framework of governance, risk management and control for the 2018/19 financial year.
   - Summarises audit work undertaken that supports that opinion
   - Highlights significant issues identified as part of Internal Audit’s work including those that are particularly relevant to the Annual Governance Statement.
   - Compares the Internal Audit work actually undertaken with the work that was planned and summarises the performance of the internal audit function against its performance measures and criteria, and
   - Includes a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Responsibilities

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

Independence and Accountabilities

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

6. In addition, the Head of Internal Audit and Risk has direct free and unfettered access and freedom to report in his own name and without fear or favour to all officers and members, particularly to those charged with governance (including the Chief Executive and the Chair of the Audit Committee).

Internal Control Environment

7. The internal control environment comprises the Council’s systems of governance, risk management and internal control.

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

9. During 2018/19 Internal Audit was bound by the Public Sector Internal Audit Standards. The purpose, authority and responsibility of the internal audit service is set out in the Internal Audit Charter, approved by the Audit Committee in November 2018.

10. The internal audit work undertaken during the year has been conducted in accordance with the mandatory standards and good practice.

11. The Internal Audit Plan for 2018/19, approved by the Audit Committee in April 2018, was compiled using a risk-based approach and was informed through:

   - reference to the previous Audit Needs Assessment undertaken
   - consultation with senior management
   - Internal Audit’s own analysis of risk areas
   - reference to risk registers, and
   - the outcome of the assurance mapping exercise on the risks documented within the strategic Risk Register.

12. The Internal Audit Plan identified the individual audit assignments. The activity was undertaken using a systematic risk-based approach. The objectives for each activity were identified and set down in terms of reference that outlined the objectives and scope for each audit. The work was planned and performed to so as to obtain all the information and explanations necessary to provide sufficient evidence in forming an overall opinion on the adequacy of the internal control framework.

13. Internal Audit reports provide an overall conclusion on the control environments for each system reviewed. A summary of the conclusions for each audit is attached as Appendix A to this report. The definitions of each conclusion are attached as Appendix B.

14. The overall annual audit opinion is derived from the work undertaken during the year, as determined by the Audit Plan. However, it is also recognised that there is a risk management assurance framework in place that provides reasonable assurance that other significant risks have been identified and are managed effectively.

15. To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a designated Audit Manager to perform quality reviews at four stages of the audit assignment: the audit brief (terms of reference), file review, draft report and final report stages. In addition, the Head of Internal Audit and Risk reviews all reports.

16. In addition to this annual report, the Audit Committee receive regular progress reports throughout the year.
The Internal Audit Team

17. During 2018/19 the Internal Audit Service was delivered by a team of suitably qualified auditors. Each permanent member of the team undertakes a regular Performance Development Review (PDR) referred to as “Your Year” and participates in continuing professional development (CPD) as appropriate.

18. A member of the audit team has been on secondment to the SAP4HANA project team since November 2018.

Head of Internal Audit’s Annual Opinion Statement

19. The Internal Audit work undertaken during the year has enabled Internal Audit to provide an objective assessment of whether systems and controls are operating effectively. In giving an audit opinion it should be noted that assurance can never be absolute. However, the scope of activity undertaken is sufficient for reasonable assurance to be placed on the work.

20. Ernst and Young, as the Council’s external auditors, have reviewed the work undertaken by Internal Audit on the fundamental system audits and have been able to place reliance on the work, and have not raised any concerns with the audit opinions given.

21. A summary of the work undertaken during the year, forming the basis of the audit opinion on the control environment, is shown at Appendix A of this report.

22. The opinion on the Council’s Internal Control environment is that overall it continues to be adequate. In general, the key controls in place are adequate and effective such that reasonable assurance can be placed on the operation of the Council’s functions. The one area of concern relates to IT Services, where 3 key audits undertaken this year have each received Limited Assurance opinions. (See paragraph 26-27)

23. This conclusion is based on the following:

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

- A risk management framework is in place, including a documented strategy, risk coordinators within directorates, a Risk Matters Group and regular monitoring and reporting on strategic risks to senior management and the Audit Committee.
- An external review of the corporate Risk Management arrangements was undertaken this year against a best practice Public Sector Maturity Model.
- The report concluded that Central Bedfordshire undertakes significant work in managing risk to their strategic objectives and the organisation recognises the value that an effective risk management framework can bring. However, more needs to be done regarding the approach to risk within Directorate areas, which was considered to be comparatively poor.

Four priority areas were 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.

An action plan to address these issues has been agreed with Senior Management and the Audit Committee for implementation over the coming year.

Internal Controls

- The audit opinion for each of the fundamental system reviews has been positive. One fundamental system received a substantial assurance audit opinion and the remainder received adequate opinions where an opinion was given. In light of minimal system upgrades and changes to business processes, and the proposed replacement of Swift, a light touch review of Swift Financials was undertaken with the proviso that previously identified issues and weaknesses would be carried forward to the replacement project for resolution. Swift Financials received a Limited Opinion in its last audit. A light touch approach was also used for Council Tax and Housing Benefits with key control walkthroughs only being carried out and no significant issues were reported.
- Adequate controls were found to be in place in a number of other areas. The majority of audit reviews of these areas other than the fundamental systems have received Adequate Assurance opinions. Where weaknesses in the current processes have been identified actions have been agreed with management to address these issues, and
- Progress has been made in addressing high priority Internal Audit actions made.
24. It should be noted that most audits undertaken have resulted in reports identifying areas for improvement which have been well received by managers, and actions agreed to address weaknesses in control. The implementation of these actions is tracked by Internal Audit and the progress against the implementation of high priority actions is regularly reported to the Audit Committee.

25. In arriving at the opinion, the following has been taken into account:
   - The results of the audits undertaken as part of the 2018/19 plan
   - The results of follow up action in respect of previous audits
   - Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.

26. In relation to the Council’s IT environment and infrastructure, three key reviews have been undertaken this year; SAP access and security, cyber security and disaster recovery (at draft report stage) and all were given Limited Assurance opinions. Additionally, further IT audits on the annual plan had to be deferred to 2019/20 due to capacity issues within the service.

27. Individually each audit has agreed a set of prioritised actions with service management to drive forward the required improvements over the coming year and IT are now actively working on these. However, on the basis of the assurance levels provided by these reviews, the Head of Internal Audit and Risk considers that adequate assurance cannot be provided for the remainder of the IT operations (not reviewed). This conclusion is considered in the context of the pervasive influence of IT on all operations of the Council and the significance of IT controls in terms of supporting the Council’s fundamental systems (including financial systems). Therefore, the limitations of assurance are considered significant enough to require highlighting in this annual report.

**Delivery of the 2018/19 Internal Audit Plan**

28. The operation of the key financial systems is a key part of the internal control environment. The table at Appendix A sets out the outcome of the reviews of these systems and indicates where the work is still ongoing. The appendix also summarises other reviews undertaken during the year.

29. The reviews of the key fundamental systems help inform the Annual Governance Statement. All reviews have received an adequate or substantial assurance audit opinion. It should be noted that the opinions given reflect the controls in places across the whole year.

30. Audit work is not just limited to implementing the audit plan. Internal Audit is involved in other areas advising on systems development and using their skills to provide other general advice to service areas. Internal Audit has participated in and advised on a number of projects providing advice on controls required, the most significant being S4HANA.

31. Resourcing constraints mentioned in section 18 have meant that not all planned audits have been completed in the year, however the highest priority reviews will be rolled
into the new year’s plan of work for 2019/10. It is not considered that the deferral of these reviews exposes the Council to any unacceptable risks that would impact on the overall Internal Audit Opinion.

**National Fraud Initiative (NFI)**

32. During 2018/19 Internal Audit continued to complete work around the National Fraud Initiative (NFI). The overall responsibility for this exercise lies with the Cabinet Office. Data sets are supplied when requested and matches investigated as required.

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

**Anti-Fraud Work and Special Investigations**

34. Internal Audit concluded three investigations during the year.
   - Whistle Blowing allegation over financial management issues at a school.
   - Fraudulent Sickness absence,
   - Whistle Blowing allegation from a member of the public relating to unfair treatment by the Council over a dispute with a CBC tenant.

   Appropriate sanctions were used and where necessary improvements made to working practices to remedy weaknesses identified.

35. During the year, Internal Audit has continued to work closely with colleagues within the Corporate Fraud Team on reviewing existing counter fraud arrangements and raising awareness of fraud risks across the Council. A revised Anti-Fraud and Corruption Strategy was approved by the Audit Committee in April 2018. Significant work has been carried out throughout the year to raise the general awareness of fraud within the Authority; a Counter Fraud e-learning module was developed by Internal Audit in conjunction with the Learning and Development team and was rolled out to all Council staff as well as numerous fraud awareness sessions for staff with the NatWest Fraud Team, which were well received.

**Adding Value**

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

**Schools**

37. The rolling programme of school audits has continued during 2018/19. 12 School audits have been undertaken. The opinions given for the finalised reviews are set out at Appendix A.
**Performance Management**

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

**Activities for 1 April 2018 – 31st March 2019**

<table>
<thead>
<tr>
<th>KPI</th>
<th>Definition</th>
<th>2018/19</th>
<th>2017/18</th>
<th>2016/17</th>
<th>Our target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>How we performed</td>
<td>How we performed</td>
<td>How we performed</td>
<td></td>
</tr>
<tr>
<td>KPI01</td>
<td>Percentage of total audit days completed.</td>
<td>76%</td>
<td>76%</td>
<td>91%</td>
<td>80%</td>
</tr>
<tr>
<td>KPI02</td>
<td>Percentage of the number of planned reviews completed.</td>
<td>82%</td>
<td>72%</td>
<td>70%</td>
<td>80%</td>
</tr>
<tr>
<td>KPI03</td>
<td>Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.</td>
<td>70%</td>
<td>79%</td>
<td>70%</td>
<td>75%</td>
</tr>
<tr>
<td>KPI04</td>
<td>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.</td>
<td>71%</td>
<td>71%</td>
<td>81%</td>
<td>80%</td>
</tr>
<tr>
<td>KPI05</td>
<td>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.</td>
<td>90%</td>
<td>93%</td>
<td>92%</td>
<td>80%</td>
</tr>
<tr>
<td>KPI06</td>
<td>Overall customer satisfaction.</td>
<td>88%</td>
<td>91%</td>
<td>91%</td>
<td>80%</td>
</tr>
</tbody>
</table>
39. Analysis of indicators:

**KPI01** - During the year we delivered a total of 959 productive audit days against a total of 1260 planned days for the year. The contribution of a Senior Auditor to the SAP S4 Hana implementation project has affected total productive time.

**KPI02** - 82% of the planned reviews had been completed to final report stage, which has exceeded the target. Also, the KPI does not reflect work in progress. Reprioritisation of outstanding work as part of the new 19/20 plan will ensure completion of high priority work.

**KPI03** - 70% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is below the target for the year, it is recognised that every audit review is unique, however, ongoing efforts are being made to improve our overall approach in this area.

**KPI04** - This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. During 2018/19 71% 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 90%.

**KPI06** – A ‘satisfactory’ response to all questions would provide an average score of 75%.

18 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 88%.

---

**Conformance with the Public Sector Internal Audit Standards**

40. The Public Sector Internal Audit Standards require the Annual Internal Audit Opinion to include a statement on conformance with the PSAIS and also the results of the Quality Assurance and Improvement Programme.

41. In order to ensure that the Internal Audit Service operates in accordance with the PSIAS, the Head if Internal Audit and Risk undertakes an annual self-assessment of compliance with the standards. The Accounts and Audit Regulations 2015 require that there is a review of the effectiveness of the System of Internal Audit. An external assessment was undertaken during 2015/16 by CIPFA. The outcome of the external assessment was reported to the Audit Committee and the self-assessment for this year raised no significant issues of concern. One area previously reported relates to the Corporate Risk Management arrangements which had not been subject to an internal audit in the recent past. This was addressed this year by an external review of Risk Management against the Performance Model.
42. The PSIAS require the Annual Audit opinion to include a statement of conformance with the standard. Following the implementation of the recommendations made by the CIPFA assessor, the Internal Audit service is fully compliant with the standards.

43. A Quality Assurance Improvement Programme (QAIP) is in place. This programme is intended to ensure that the internal audit service continues to develop and improve. As such, it is envisaged that work will be ongoing in this area, and the programme will be regularly refreshed and updated.

44. The Head of Internal Audit and Risk will continue to regularly review internal audit activity against the standards and any areas of development identified will be addressed.

Review of the Effectiveness of Internal Audit

45. As referred to in paragraph 41 above, a review of the effectiveness of Internal Audit was undertaken by CIPFA in 2015/16 and by self-assessment this year.

Review of the Effectiveness of the Systems of Internal Control

46. The Council’s review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports
- the work undertaken by Internal Audit during the year
- the work undertaken by the external auditor reported in their annual audit and inspection letter
- other work undertaken by independent inspection bodies

47. Directors have signed statements of the Effectiveness of Internal Control for 2018/19, confirming that during the year they were:

- Ensuring that there are arrangements in place for establishing Directorate objectives and compliance to corporate priorities;
- Ensuring compliance to the Council’s governance arrangements (Constitution, Ethical Framework, and Policies & Regulations);
- Ensuring arrangements for sound budgetary controls;
- Effectively monitoring and managing performance;
- Reporting to the appropriate Member Committees;
- Responding promptly to internal & external audits & inspections;
- Continuously managing business risks and service continuity arrangements.

48. The work undertaken by Internal Audit on the systems of internal control disclosed that generally they were effective during 2018/19.
Council Priorities

49. 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

50. 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.

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

Financial and Risk Implications

52. 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

53. 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.

54. 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

55. The work undertaken by Internal Audit has enabled the team to advise management of some of the control weaknesses identified at an early stage, and make recommendations designed to enhance and strengthen controls and mitigate risks.
56. Overall, the internal control environment is considered fit for purpose and operated adequately during 2018/19.

Appendices

Appendix A: Summary of Internal Audit Activity 2018/19
Appendix B: Audit Opinion Definitions

Background Papers

None

Report author(s): Clint Horne
Head of Internal Audit and Risk
clint.horne@centralbedfordshire.gov.uk
APPENDIX A

Internal Audit Activity during 2018/19

The table below provides a summary of audit activity during 2018/19

<table>
<thead>
<tr>
<th>Audit Title</th>
<th>Position of Review</th>
<th>Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Carry Over Work:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completion of reviews in progress as at 31st March 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable/Purchase Ledger (including feeder systems)</td>
<td>Final report issued</td>
<td>Adequate</td>
</tr>
<tr>
<td>Payroll</td>
<td>Final report issued</td>
<td>Adequate</td>
</tr>
<tr>
<td>SWIFT Financials – Key controls walkthrough</td>
<td>Briefing note issued</td>
<td>n/a</td>
</tr>
<tr>
<td>Academy of Central Bedfordshire (consultancy)</td>
<td>Final report issued</td>
<td>n/a</td>
</tr>
<tr>
<td>Democratic Governance</td>
<td>Final report issued</td>
<td>Adequate</td>
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<tr>
<td>Review of Public Health Contributions to other Directorates</td>
<td>Final report issued</td>
<td>Adequate</td>
</tr>
<tr>
<td>Chiltern School</td>
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</tr>
<tr>
<td>Cyber Security</td>
<td>Final report issued</td>
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<tr>
<td>European Regional Development Fund – Procurement 17-18</td>
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</tr>
<tr>
<td>Officers - Declarations of Interest, Gifts &amp; Hospitality</td>
<td>Final report issued</td>
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<tr>
<td>Clipstone Brook Lower School</td>
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</tr>
<tr>
<td>Swallowfield Lower School</td>
<td>Final report issued</td>
<td>Limited</td>
</tr>
<tr>
<td>Pulford Lower School</td>
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</tr>
<tr>
<td>Treasury Management</td>
<td>Final report issued</td>
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<tr>
<td>Joint Procurement Arrangements – phase 1</td>
<td>Final report issued</td>
<td>Adequate</td>
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<tr>
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</tr>
<tr>
<td>SAP Access and Security</td>
<td>Final report issued</td>
<td>Limited</td>
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<tr>
<td>Houghton Regis Lower</td>
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2018-19 Plan

**Fundamental Systems**

<table>
<thead>
<tr>
<th>Audit Title</th>
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<tbody>
<tr>
<td>Accounts Payable/Purchase Ledger (including feeder systems)</td>
<td>Final report issued</td>
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* indicates provisional opinion
<table>
<thead>
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<th><strong>Opinion</strong></th>
</tr>
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<tbody>
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<td>Council Tax – Key Control walkthroughs</td>
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<td>Housing Benefits – Key Control walkthroughs</td>
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<td>n/a</td>
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<td>Main Accounting Systems (MAS)</td>
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</tr>
<tr>
<td>Non-Domestic Rates NDR</td>
<td>Final report issued</td>
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</tr>
<tr>
<td>Payroll</td>
<td>Final report issued</td>
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</tr>
<tr>
<td>SWIFT Financials</td>
<td>Briefing note issued</td>
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<tr>
<td>Housing Rents including tenant arrears</td>
<td>Final report issued</td>
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<tr>
<td>Cash and Banking (Non Invoiced Income)</td>
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**Chief Executive**

<table>
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<tr>
<th><strong>Data Quality</strong></th>
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<tr>
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</tr>
<tr>
<td>Ethical Governance</td>
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</tr>
<tr>
<td>Corporate Governance Reviews</td>
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<td>Contracts Management</td>
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<tr>
<td>Partnership Governance</td>
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**Resources**

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<tr>
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<td>Capital Programme</td>
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</tr>
<tr>
<td>Learning and Development Centralisation</td>
<td>Final report issued</td>
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**Children's Services**

| **Schools General - School Improvement** | Rolling programme, 10 schools completed, 2 In Progress see below |

* indicates provisional opinion
<table>
<thead>
<tr>
<th>Audit Title</th>
<th>Position of Review</th>
<th>Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northill Lower School</td>
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</tr>
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</tr>
<tr>
<td>Roecroft Lower School</td>
<td>Draft report issued</td>
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</tr>
<tr>
<td>Shefford Lower School</td>
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<tr>
<td>Shillington Lower School</td>
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<td>Silsoe Lower School</td>
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</tr>
<tr>
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<tr>
<td>St Swithuns Lower School</td>
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</tr>
<tr>
<td>Houghton Conquest Lower School</td>
<td>Final report issued</td>
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<tr>
<td>Dover Down Lower School</td>
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<tr>
<td>Campton Lower School</td>
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<td>Everton Health Primary</td>
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<tr>
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</tr>
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<td>Children’s Homes Facilities Management</td>
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<tr>
<td>School themed review – School Financial Regulations</td>
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**Social Care, Health and Housing**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
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<tr>
<td>Procurement</td>
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<tr>
<td>HMO Licensing</td>
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<tr>
<td>Direct Payments</td>
<td>Fieldwork in progress</td>
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**Community Services**

<p>| | | |</p>
<table>
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<tr>
<td>Highways – assurance on client assurance arrangements</td>
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* indicates provisional opinion
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**IT Reviews:**

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<td>PCI (Payment Card Industry) DSS Compliance</td>
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<td>Mosaic (CCMS) Application Security</td>
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<td>Storage, Hypervisors &amp; Hosts 1819</td>
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**Regeneration and Business Support**

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<tbody>
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<td>S106 Follow up</td>
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<tr>
<td>Albion Archaeology</td>
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</tr>
<tr>
<td>Broadband project</td>
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**Public Health**

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<tr>
<td>Public Health compliance with best practice</td>
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<tr>
<td>Joint Procurement Arrangements Phase 2</td>
<td>Fieldwork in progress</td>
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* indicates provisional opinion
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<table>
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<td><strong>Consultancy etc.</strong></td>
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<td>Major projects - Consultancy</td>
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<td>Supporting Annual Governance Statement</td>
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<td>General Advice</td>
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</table>

* indicates provisional opinion
Key Issues arising from finalised reviews (for reviews not previously reported to Committee)

1. **Swift Financials 2017/18 – Key controls walkthrough**  
   This review encompassed a key control walkthrough of the system for processing adult social care payments through Swift. No new issues were identified that have not been reported in previous years.

2. **Contract Review of Alternative Provision – Academy of Central Bedfordshire**  
   This review was a consultancy exercise to support the Director of Children’s Services contract review of the Alternative Provision contract with respect to the financial aspects of the contract.

3. **Democratic Governance**  
   The review focussed on the work undertaken by the Committee Services and Overview and Scrutiny teams to ensure that the Council’s democratic and decision making process is robust and transparent, including compliance with legal and regulatory requirements and best practice, accessibility and use of social media. The overall opinion was adequate.

4. **Review of Public Health Contributions to Other Directorates**  
   This examined the compliance with the Principals for Use for the application of public health contributions to other directorates. The overall opinion was adequate.

5. **Cyber Security**  
   Specialist external expertise was commissioned to carry out this review which examined the Council’s cyber security defences including administrative privileges, account monitoring and control, data protection, malware defences, vulnerability management and secure configuration. The overall opinion was limited.

6. **European Regional Development Fund – Procurement 2017-18**  
   The review examined the controls over procurement under the ERDF project delivering low carbon business growth to small and medium sized enterprises through the Innovation Bridge Scheme. The overall opinion was adequate.

7. **Officer’s Declarations of Interest, Gifts and Hospitality**  
   This review covered declarations of interests, gifts and hospitality by officers made in accordance with Officers Code of Conduct. The overall opinion was adequate assurance.

8. **Treasury Management**  
   This review examined the key controls in place for the Council’s treasury management processes, including policies and procedures, reporting and monitoring, cashflow management and investment and borrowing. The overall opinion was adequate.

* indicates provisional opinion
9. Joint Procurement Arrangements Phase 1
   The review examined the commissioning of joint community health services provided by the East London NHS Foundation Trust in partnership with Cambridgeshire Community services NHS Trust. The five-year contract was jointly commissioned by the Bedfordshire Clinical Commissioning Group, Bedford Borough Council and CBC. Phase 1 of the review examined the controls over the commissioning process. The overall opinion was adequate.

10. SAP Access and security
    This review focussed on the controls over access to SAP, application controls, user roles and assignation, patch management and business continuity arrangements. The overall opinion was limited.

11. 2018/19 Accounts Payable
    This review covered policies and procedures, and the Accounts Payable processes, including ordering, goods receipting, authorisation of invoices, reconciliations and controls over master data. The overall audit opinion was adequate assurance.

12. 2018/19 Accounts Receivable
    This review covered policies and procedures, and the Accounts Receivable processes, including invoicing, amendments, accounting arrangements, debt monitoring and write offs. The overall audit opinion was adequate.

13. 2018/19 Council Tax Key Control Walkthrough
    This review encompassed a key control walkthrough of the systems in place for Council Tax processes. No significant issues were identified.

14. 2018/19 NDR
    The scope of this review covered NDR processes including the identification and recording of commercial properties, amendments to accounts, discount and exemption processes, overdue account monitoring and recovery action, write offs, the recording of transactions within the authority’s accounts, billing processes and business continuity planning. The overall audit opinion was adequate assurance.

15. 2018/19 Housing Benefits Key Control Walkthrough
    This review was limited to a key control walkthrough of the processes for Housing Benefit claims. No significant issues were identified.

16. 2018/19 Main Accounting System
    This review covered policies and procedures, accounting for financial transactions, journal entry controls, transfers from feeder systems, controls to ensure accuracy, and reporting mechanisms. The overall audit opinion was adequate assurance.
17. **2018/19 Payroll**

The review covered policies and procedures, controls over standing data, the accuracy of payments and deductions, controls over payments to and received from statutory agencies, the accurate posting of data, and compliance with legislative requirements. The overall audit opinion was adequate assurance.

18. **Swift Financials 2018/19**

This review encompassed a key control walkthrough of the system for processing adult social care payments through Swift. No new issues were identified that have not been reported in previous years.

19. **2018/19 Housing Rents**

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

20. **2018/19 Cash and Banking**

This review was combined with Main Accounting System above.

21. **Capital programme**

This review examined the development and management of capital projects including adherence to legislation and Council policy and project management and delivery. The overall audit opinion was adequate assurance.

22. **Learning and Development Centralisation**

The review focussed on the project to centralise the Learning and Development function and the processes in place for budgetary control and bidding for and approval of training. The overall audit opinion was adequate assurance.

23. **School audits**

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

24. **School Places Commissioning**

The review examined school places commissioning to enable the Council to provide sufficient school places within Central Bedfordshire, including forecasting mechanisms and collaboration with schools and academies to deliver school places via changes to admissions and/or capital projects. The overall audit opinion was adequate assurance.

* indicates provisional opinion
25. **Corporate Parenting Expenses**  
This audit was carried out on request from the Director of Children’s services. The audit examined procedures in place for the control of expenditure made by CBC on behalf of Looked After Children. The overall audit opinion was adequate assurance.

26. **School Themed Review – School Financial Regulations**  
The review examined the Scheme for Delegation for Schools, the School Financial Regulations and the Model School Finance Manual to establish where there are inconsistencies or conflicts and potential areas for clarification and changes which could be made to enable schools to have more flexibility in managing their financial controls. A briefing note was prepared which highlighted some potential areas for change.

27. **Homelessness**  
The review examined the service offered to homeless residents by the Council, with a focus on the delivery of the changes to legislation from April 2018 brought in by the Homelessness Act 2017. The audit examined the identification of homeless and at risk residents, advice and guidance given and management of temporary accommodation stock availability. The overall audit opinion was adequate.

28. **Procurement**  
The review examined Council policies and procedures in relation to procurement including resilience in the supply change, performance management data, business continuity planning, focussing on tendering processes. The overall audit opinion was adequate.

29. **School Transport**  
This review covered the provision of school transport for all eligible children within Central Bedfordshire, including procedures for selection and monitoring of contractors, financial management and safeguarding. The overall audit opinion was limited.

30. **Broadband project**  
This review examined the governance and monitoring arrangements over the joint partnership between CBC, Bedford Borough Council and Milton Keynes Council to deliver superfast broadband to all properties by 2020 with the use of funding from the Government broadband delivery arm Broadband Delivery UK (BDUK). A briefing note was issued which did not identify any significant issues.
## Appendix B

### Audit Opinions

<table>
<thead>
<tr>
<th></th>
<th>Substantial Assurance</th>
<th>Adequate Assurance</th>
<th>Limited Assurance</th>
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</tr>
</thead>
<tbody>
<tr>
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<td>Inadequate controls</td>
</tr>
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<td>Medium/Low risk of not meeting objectives</td>
<td>Medium risk of not meeting objectives</td>
<td>High risk of not meeting objectives</td>
<td></td>
</tr>
<tr>
<td>Low risk of fraud, negligence, loss, damage to reputation</td>
<td>Medium/Low risk of fraud, negligence, loss, damage to reputation</td>
<td>Medium risk of fraud, negligence, loss, damage to reputation</td>
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<td></td>
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<tr>
<td>Level of Assurance:</td>
<td>Level of Assurance:</td>
<td>Level of Assurance:</td>
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<tr>
<td>High</td>
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</table>
13. 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.
Central Bedfordshire Council

AUDIT COMMITTEE 29th May 2019

Tracking of Internal Audit High Priority Recommendations/Agreed actions

Responsible Director(s): Charles Warboys, Director of Resources
(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 April 2019.
Tracking High Priority Recommendations

5. Currently, there are 20 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. Initial follow up reviews are scheduled to be carried out at the date that all recommendations/agreed actions resulting from an audit are due to be completed. The follow up of audit recommendations/agreed actions 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 / risk management activity (delete as appropriate) 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/agreed actions are implemented and to monitor additional recommendations/agreed actions 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 recommendations/agreed actions as at end of April 2019

Background Papers

None.

Report author(s): Clint Horne
Head of Internal Audit and Risk
clint.horne@centralbedfordshire.gov.uk
Details of those recommendations outstanding

1. Implemented Agreed Actions / Recommendations

**Community Services**

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

<table>
<thead>
<tr>
<th>Status - Amber</th>
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<tbody>
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</tr>
<tr>
<td>A Corporate Landlord approach should be adopted by consolidating compliance assurance responsibilities. This will unify professional and technical resources and avoid duplication of resources.</td>
</tr>
</tbody>
</table>

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

| **Target Dates:** |
| June 2017, see below. |

| **Current Position and Explanation for Slippage:** |
| The Corporate Landlord Model went live on 1st April 2019. |

The successful procurement of two new Corporate Landlord contracts went live on 1st April 2019 with no disruption to council services. The contracts are both long-term contracts, 7 years with an option to extend by a further 3 years.

Following the implementation of the new contracts, we now have a central database for all our non-housing building related compliance documents. We are still migrating from the current excel document to the new suppliers Property Management software.

We are now able to demonstrate the compliance of our corporate buildings and give a snapshot of how our schools are managing compliance.

All new non-housing buildings will be managed by the Corporate Landlord Function within Assets going forward. Implemented

<table>
<thead>
<tr>
<th><strong>School Transport</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Status - Green</strong></td>
</tr>
<tr>
<td><strong>Agreed Action R2:</strong></td>
</tr>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>
School Transport Team will eventually undertake more random visits to schools to monitor contract services and verify badges are up to date.

<table>
<thead>
<tr>
<th>Rationale for Action:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Target Dates:</th>
<th>30 September 2018</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Current Position and Explanation for Slippage:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A letter was sent to all contractors on 30.1.19 requesting information on DBS checks carried out on their staff and responses have been received. The frequency of random visits to schools has been increased. Implemented</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Status - Green</th>
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<table>
<thead>
<tr>
<th>Agreed Action R3:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current DPS Contract Terms and conditions will be reviewed and will seek advice from Legal on changes to T&amp;C's.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Rationale for Action:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Target Dates:</th>
<th>31 August 2018</th>
</tr>
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<table>
<thead>
<tr>
<th>Current Position and Explanation for Slippage:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A letter was send to all contractors on 30.1.19 informing them that cost increases of more than 10% cannot be agreed where there is no significant change. Implemented</td>
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</tbody>
</table>

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<tr>
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<table>
<thead>
<tr>
<th>Agreed Action R4:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rationale for Action:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Local drives should not be used to save customer information as this affects service resilience and compliance with CBC IT Policy.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Target Dates:</th>
<th>30 September 2018</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Current Position and Explanation for Slippage:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Implemented.</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Status - Green</th>
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</thead>
</table>
**Agreed Action R5:**
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.

**Rationale for Action:**
The Council should ensure that all contractor staff have received GDPR training as sensitive personal information may be processed by external contractors.

**Target Dates:**
30 September 2018

**Current Position and Explanation for Slippage:**
A letter was sent to all contractors on 30.1.19 requesting details of the GDPR training that their staff have completed, names of the staff who have been training and dates the training was completed. Responses have been received. Implemented

---

**Childrens Services**

**Houghton Regis Primary School**

**Status - Green**

**Agreed Action R6:**
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.

**Rationale for Action:**
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.

**Target Dates:**
31 December 2018

**Current Position and Explanation for Slippage:**
Implemented 6.9.18

---

**Swallowfield Lower School**

**Status - Green**

**Agreed Action R7:**

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:**

All recommendations implemented

---

**Corporate Parenting Expenses**

**Status – Green**

**Agreed Action R8:**

A procedure notice will be sent out to all of the team to remind that all travel and subsistence should be claimed through payroll.

Any travel and subsistence claims made via petty cash or imprest will be refused.

**Rationale for Action:**

Staff were claiming travel and subsistence expenditure from petty cash or bank account imprest.

**Target Dates:**

| 28 February 2019 |

**Current Position and Explanation for Slippage:**

Implemented
2. Follow-up yet to be completed

Social Care, Health and Housing

Housing Tenancy Management

<table>
<thead>
<tr>
<th>Status - Amber</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation R9:</strong> 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.</td>
</tr>
</tbody>
</table>

**Rationale for Recommendation:**
The Housing Tenancy Strategy was drafted by the Assistant Director - Housing Services with an Executive Foreword jointly signed by the Executive member with responsibility for Social Care, Health and Housing and the Director of Social Care Health and Housing (SCHH). It was approved by the Executive in March 2013 however during the course of this review it became apparent that responsibility for and ownership of the strategy is unclear. Discussions between the Director of Social Care, Health and Housing and the Director of Regeneration and Business confirmed that housing responsibilities lie across 2 Directorates, SCHH and Regeneration and Business, and that both Directors will clarify how this will be addressed.

**Target Dates:**

**Current Position and Explanation for Slippage:**
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 & Implementation Manager which has now been filled.

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.

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 & 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.
**Recommendation R10:**
A Monitoring Group should be established, with clear terms of reference, to monitor and review the effectiveness of the Tenancy Strategy.

**Rationale for Recommendation:**
Each Provider is responsible for its own individual tenancy policies, as well as arrangements for review and appeals. However, the Tenancy Strategy proposed that the Council establish a monitoring group consisting of representatives of registered providers and other key stakeholders. This group is meant to support the Council in its role of monitoring and reviewing the effectiveness of this Strategy but the group is yet to be set up.

**Target Dates:**
As above.

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

---

**Children's Services**

**Houghton Regis Primary School**

**Status - Amber**

**Agreed Action R11:**
1. School to complete the planned closure of the Reserve Account, with the balance in the account being transferred to the School Fund account.

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.

3. School to consider closing the School Fund account, with the balance in the account being transferred to the main School bank account.

4. All actions completed to be reported to the full Governing Body.

**Rationale for Action:**
A bank account was discovered during the audit that senior and finance staff were unaware of.

**Target Dates:**
31 December 2018

**Current Position and Explanation for Slippage:**
1. Account has been closed
2. Account will be closed once external audit is complete
3. School fund account will be closed when last cheque has cleared
4. A FGB meeting took place on 2.10.18

Follow up scheduled June 2019
### Silsoe Lower School

**Status – Green**

**Agreed Action R12:**
Payroll online portal access will be reviewed to ensure that there is adequate separation of duties when using the portal.

**Rationale for Action:**
The school business manager had access to the online payroll portal including uploading, modifying and approving personnel and payroll transactions.

**Target Dates:**
31 March 2019

**Current Position and Explanation for Slippage:**
Follow up scheduled August 2019

### Ramsey Manor Lower School

**Status – Green**

**Agreed Action R13:**
Payroll online portal access will be reviewed to ensure that there is adequate separation of duties when using the portal.

**Rationale for Action:**
The school business manager had access to the online payroll portal including uploading, modifying and approving personnel and payroll transactions.

**Target Dates:**
31 March 2019

**Current Position and Explanation for Slippage:**
Follow up scheduled October 2019

### Shefford Lower School

**Status – Green**

**Agreed Action R14:**
Administrator access rights to the RM Finance system will be transferred to another member of staff.

**Rationale for Action:**
The school business manager had administrator access to RM finance system but is not independent of the day to day financial transactions

**Target Dates:**
31 May 2019

**Current Position and Explanation for Slippage:**
Follow up scheduled October 2019
**Statu**s – Green

**Agreed Action R15:**
The school will transfer responsibility for maintaining accounting records and reconciling the School Fund Bank account from the School Business Manager to another member of staff.

**Rationale for Action:**
The school business manager is a signatory to the school fund bank account but also has responsibility for maintaining the accounting records and reconciling the bank account.

**Target Dates:**
31 May 2019

**Current Position and Explanation for Slippage:**
Follow up scheduled October 2019

---

**Northill Lower School**

**Status – Green**

**Agreed Action R16:**
The school will register with the ICO as a Data Controller.

**Rationale for Action:**
The school had not registered with the Information Commissioner’s Office as required by the Data Protection Act.

**Target Dates:**
30 April 2019

**Current Position and Explanation for Slippage:**
Follow up scheduled January 2020

---

**Status – Green**

**Agreed Action R17:**
a) All appointments and offers of employment will be subject to completion of pre-employment checks in accordance with CBC Code of Practice Recruitment and Safer Recruitment  
b) Copies of DBS disclosure statements will be removed from employees files  
c) The Single Central Record will be updated promptly for changes

**Rationale for Action:**
The results of a DBS check for a new teacher was outstanding. Copies of previous DBS statements were held on file contrary to the DBS legislation. The Single Central Register was not up to date.

**Target Dates:**
30 June 2019

**Current Position and Explanation for Slippage:**
Follow up scheduled January 2020
<table>
<thead>
<tr>
<th>Status – Green</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agreed Action R18:</strong></td>
<td>The previous Office Manager’s log in details for NatWest Bankline and the payroll portal will be disabled and new accounts set up for the current office manager.</td>
</tr>
<tr>
<td><strong>Rationale for Action:</strong></td>
<td>The Office Manager was using the previous individual's log in for the bank and the payroll portal.</td>
</tr>
<tr>
<td><strong>Target Dates:</strong></td>
<td>31 May 2019</td>
</tr>
<tr>
<td><strong>Current Position and Explanation for Slippage:</strong></td>
<td>Follow up scheduled January 2020</td>
</tr>
</tbody>
</table>

**Shillington Lower School**

<table>
<thead>
<tr>
<th>Status – Green</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Agreed Action R19:</strong></td>
<td>Administrator access rights to the RM Finance system which are currently granted to the Finance/HR Assistant, will be transferred to another member of staff. Administrator access rights to the RM Finance system which are currently granted to the external Bursar, will be rescinded.</td>
</tr>
<tr>
<td><strong>Rationale for Action:</strong></td>
<td>Finance/HR Assistants duties include day to day financial processes and Bursar an external individual therefore administrator rights to the RM Finance system are not appropriate for these individuals.</td>
</tr>
<tr>
<td><strong>Target Dates:</strong></td>
<td>31 May 2019</td>
</tr>
<tr>
<td><strong>Current Position and Explanation for Slippage:</strong></td>
<td>Follow up scheduled January 2020</td>
</tr>
</tbody>
</table>

**St Swithin's School**

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<tr>
<th>Status – Green</th>
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<tbody>
<tr>
<td><strong>Agreed Action R20:</strong></td>
<td>The Headteacher will be given access rights to the payroll and HR portal and will approve the monthly payroll for payment.</td>
</tr>
<tr>
<td><strong>Rationale for Action:</strong></td>
<td>Headteacher not approving the monthly payroll on the payroll portal prior to payment.</td>
</tr>
<tr>
<td><strong>Target Dates:</strong></td>
<td>31 July 2019</td>
</tr>
<tr>
<td><strong>Current Position and Explanation for Slippage:</strong></td>
<td>Follow up scheduled August 2019</td>
</tr>
</tbody>
</table>
## Summary of Outstanding High Priority Internal Audit recommendations as at End April 2019

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of Report</th>
<th>Original Expected completion of all Recommendations (Where identified)</th>
<th>Number of Recs</th>
<th>Completed GREEN</th>
<th>Ongoing - On schedule for completion with set timescales GREEN</th>
<th>Work in Progress - Target missed AMBER</th>
<th>No work started - target missed RED</th>
</tr>
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<tbody>
<tr>
<td><strong>SOCIAL CARE, HEALTH &amp; HOUSING</strong></td>
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<td>Housing Tenancy Management</td>
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<td>30/11/2015</td>
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<td><strong>COMMUNITY SERVICES</strong></td>
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<td>School Transport</td>
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<tr>
<td><strong>CHILDREN'S SERVICES</strong></td>
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<tr>
<td>Houghton Regis Primary School</td>
<td>12/12/2018</td>
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<td>Swallowfield Lower School</td>
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<td>31/10/2018</td>
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<td>Corporate Parenting Expenses</td>
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<td>31/03/2019</td>
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<tr>
<td>Silsoe Lower school</td>
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<tr>
<td>St Swithun's Primary school</td>
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<td>10</td>
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14. Risk Update Report

To consider an overview of the Council's risk position as at April 2019.
Purpose of this report

1. The purpose of this report is to give an overview of the Council’s risk position as at April 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. The Strategic Risk Register is provided at Appendix B, the main change relates for STR0039 - ‘Inability to deliver accommodation for vulnerable and homeless people’ which is to be closed and subsumed into STR007 ‘Failure to Support vulnerable people…’. Additionally, there are some minor amendments to wording in existing & planned mitigation which is shown in a track changes style.
Operational Risks
4. 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. Whilst there has been some change within specific Directorate risk registers, there has been minimal change affecting the key risks reported as part of this update, two risks from Public Health drop out, being replaced by risks 8 (concerning the remodelled Stop Smoking service) and 10 (implications of the NHS Long term Plan).

Council Priorities
5. 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
6. 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.

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

Financial and Risk Implications
8. No direct implications arising from this report.

Equalities Implications
9. 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.

10. There are no equality implications arising directly from this report. If any equality implications were found to arise during the course of any audit / risk management activity (delete as appropriate) 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
11. Internal Audit and Risk will continue to coordinate and update the Strategic Risk register and an update will be presented to the next Audit Committee.

Appendices

Appendix A – Strategic Risk summary dashboard.
Appendix B – April 2019 Strategic Risk register.
Appendix C - Operational Risk summary dashboard

Background Papers
None

Report author: Clint Horne
Head of Internal Audit and Risk
Clint.Horne@centralbedfordshire.gov.uk
<table>
<thead>
<tr>
<th>#</th>
<th>Reference</th>
<th>Strategic Risk</th>
<th>2017/18</th>
<th>18/19</th>
<th>19/20</th>
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<td>STR0032</td>
<td>Unsustainable market for social care.</td>
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<td>STR0040</td>
<td>Political and economic uncertainty arising from UK leaving EU and other</td>
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<tr>
<td></td>
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<td>significant international events.</td>
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<td>3</td>
<td>STR0027</td>
<td>Failure to adopt a Local Plan</td>
<td>16</td>
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<td>4</td>
<td>STR0011</td>
<td>Continuing significant reduction in or redirection of funding due to</td>
<td>16</td>
<td>16</td>
<td>16</td>
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<tr>
<td></td>
<td></td>
<td>Central Government cuts, or loss of grant or other funding e.g. Health</td>
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<tr>
<td></td>
<td></td>
<td>funding, Schools’ Finance Regulations.</td>
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<td>accuracy across the organisation and the risk of non compliance with the Data</td>
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<td>Failure to enact the changes we seek to move the organisation forward.</td>
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**APPENDIX A**
## Information Security

### Mitigating Actions / Already Undertaken

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<tr>
<th>Risk</th>
<th>Mitigating Actions / Already Undertaken</th>
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<tbody>
<tr>
<td></td>
<td>1. Review and update the ICO audit plan</td>
</tr>
<tr>
<td></td>
<td>2. Development of roadmaps for core ICT systems</td>
</tr>
<tr>
<td></td>
<td>3. Explore further opportunities to source expertise from third parties.</td>
</tr>
<tr>
<td></td>
<td>4. Participate in corporate approach to business continuity planning to business impact of ICT failure or disruption. Data Centers are being restructured to form highly secure purification. Operating work to consolidate and simplify IT systems.</td>
</tr>
</tbody>
</table>

### Further Action Planned or Other Comments

- Architecture review of IT infrastructure.
- Development of roadmaps for core ICT systems.
- Explore further opportunities to source expertise from third parties.
- Participate in corporate approach to business continuity planning to business impact of ICT failure or disruption. Data Centers are being restructured to form highly secure purification. Operating work to consolidate and simplify IT systems.

### References

- Central Bedfordshire Council - Strategic Risk Register
- Appendix B page 167 of 176
<table>
<thead>
<tr>
<th>Risk Title</th>
<th>Risk Owner</th>
<th>Risk Manager</th>
<th>Risk Ascertainment Date</th>
<th>Risk Type</th>
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<th>Description</th>
<th>Consequences</th>
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<th>Lead Midstakeholder</th>
<th>Target Completion Date</th>
<th>Further Action Planned or Other Comments</th>
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Key:
- T - Temporary
- E - Escalation
- R - Regular

Information security classification: Secret

Appendix B
Page 169 of 176
Operational Risk Dashboard - April 2019

Key

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<td>Schools for the Future Programme delayed or full benefits not achieved</td>
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<td>CS007</td>
<td>SEND action plan not implemented on time</td>
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<td>CS008</td>
<td>SEND budget overspend</td>
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<td>CS008/10</td>
<td>High Needs block overspend</td>
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<td>Com/WS003</td>
<td>Future Waste Collection and Street cleansing contracts not in place</td>
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<td>PH/CB01</td>
<td>Key Partners do not sign up to the remodelled Stop Smoking Service</td>
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<td>PH/CB05</td>
<td>Drug &amp; Alcohol Services don’t work effectively</td>
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<td>PH/CB14</td>
<td>Implications of the NHS long term plan</td>
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<td>RB/SU01007</td>
<td>Funding issues and delays to the M1 A6 Link Road</td>
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<td>Res002</td>
<td>SAP S/4 Hana not implemented as planned</td>
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<td>SCHH003</td>
<td>Inability to retain key staff or fill key roles within SCHH</td>
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APPENDIX C

Information security classification: UNCLASSIFIED
## Risk Scoring

### Likelihood

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<th>Medium</th>
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<th>Very High</th>
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<td>Likely to occur every 10 years / up to 20% chance of occurrence</td>
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<td>Likely to occur every 3 years / up to 60% chance of occurrence</td>
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<td>Likely to occur each year / over 60% chance of occurrence</td>
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## Risk Scoring (Impact)

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<td>VERY LOW</td>
<td>Minor loss &lt; £10k</td>
<td>Trivial, very short-term non-compliance</td>
<td>Insignificant injury (no intervention)</td>
<td>Negligible impact/unnotified by service users</td>
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<td>2</td>
<td>Low</td>
<td>Small loss &lt; £100k</td>
<td>Small, single, short-term non-compliance</td>
<td>Minor injury (local intervention)</td>
<td>Small impact/small inconvenience</td>
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<td>MEDIUM</td>
<td>Moderate loss &lt; £500k</td>
<td>Sustained single or a few short-term non-compliances</td>
<td>Moderate injury (professional intervention)</td>
<td>Medium level impact/moderate inconvenience</td>
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<td>HIGH</td>
<td>Significant loss &lt; £1 M</td>
<td>Multiple sustained non-compliances</td>
<td>Major injury (hospital stay)</td>
<td>Significant impact/serious inconvenience</td>
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<td>VERY HIGH</td>
<td>Substantial loss &gt; £1 M</td>
<td>Multiple, long-term, significant non-compliances</td>
<td>Fatal injury</td>
<td>Substantial/Complete service failure</td>
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15. Work Programme

To consider the Committee's work programme.
Central Bedfordshire Council

Audit Committee

29 May 2019

Work Programme

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

This report relates to a decision that is Non-Key

Purpose of this report

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

RECOMMENDATION

The Committee is asked to:

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

Background

1. To assist the Audit Committee a work programme is attached at Appendix A to this report. The work programme contains the known agenda items that the Committee will need to consider.

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

Council Priorities

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

Corporate Implications

Legal Implications

4. There are no legal implications.
Financial and Risk Implications

5. There are no financial and risk implications.

Equalities Implications

6. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

7. Report authors will be encouraged to work with the Corporate Policy Advisor (Equality & Diversity) in order to ensure that relevant equality implications are identified.

Conclusion and next Steps

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

Appendices

Appendix A – Audit Committee Work Programme

Background Papers

None

Report author: Leslie Manning
Committee Services Officer
leslie.manning@centralbedfordshire.gov.uk
### Audit Committee Work Programme

#### 2018/19 Municipal Year

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<td>11 March 2019</td>
<td>• Certification of Claims and Returns Annual Report 2017/18 (NH)</td>
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<td>• External Audit Planning Report (NH)</td>
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<td>• Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments (GM)</td>
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<td>• Local Government Pension Scheme Update (DG)</td>
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<td>• Statement of Accounts 2018/19 (SP)</td>
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<td></td>
<td>• Report on Corporate Risk Management Review (CH)</td>
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<td>• Risk Update Report (CH)</td>
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<td>• Tracking of Internal Audit Recommendations (CH)</td>
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<td>• Internal Audit Progress Report (CH)</td>
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#### 2019/20 Municipal Year

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<td>• CBC Audited Statement of Accounts 2018/19 (CW/DG)</td>
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<td>• Annual Audit and Certification Fees 2019/20 (NH)</td>
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<td>• Annual Counter Fraud Update (GM)</td>
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<td>• Local Government Pension Scheme Update (DG)</td>
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<td>• Tracking of Internal Audit Recommendations (CH)</td>
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<td>• Internal Audit Progress Report (CH)</td>
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<td>• Work Programme (LM)</td>
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### 29 October 2019
- Presentation on LGSS Law Ltd (CW)
- Annual Audit Letter for the Year ended 31 March 2019 (NH)
- Update on Implementation of Action Plan re Zurich Municipal Recommendations (CH)
- Risk Update Report (CH)
- Tracking of Internal Audit Recommendations (CH)
- Internal Audit Progress Report (CH)
- Work Programme (LM)

### 3 March 2020
- Certification of Claims and Returns Annual Report 2018/19 (NH)
- External Audit Planning Report (NH)
- Annual Review of Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments (GM)
- Local Government Pension Scheme Update (DG)
- Statement of Accounts 2019/20 (SP)
- Review of Implementation of Action Plan re Zurich Municipal Recommendations (CH)
- Report on Corporate Risk Management Review (CH)
- Risk Update Report (CH)
- Tracking of Internal Audit Recommendations (CH)
- Internal Audit Progress Report (CH)
- Work Programme (LM)