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1 July 2011

To: Chairman – Councillor Francis Burkitt  
Vice-Chairman – Councillor David McCraith  
Members of the Corporate Governance Committee – Councillors Richard Barrett,  
John Batchelor, Douglas de Lacey, Charles Nightingale and John Williams  
Quorum: 3

Dear Councillor

You are invited to attend the next meeting of **CORPORATE GOVERNANCE COMMITTEE**, which will be held in **MONKFIELD ROOM, FIRST FLOOR** at South Cambridgeshire Hall on **FRIDAY, 8 JULY 2011 at 9.00 a.m.**

Yours faithfully  
**JEAN HUNTER**  
Chief Executive

**The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.**

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**AGENDA SUPPLEMENT**

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**RSM! Tenon**

**DRAFT SUBJECT TO AUDITS BEING FINALISED**

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Internal Audit Annual Report for the Year Ended 31 March 2011

June 2011

Presented at the Corporate Governance Committee meeting of: 08 July 2011

Approved by: Dan Harris as Head of Internal Audit

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report is prepared solely for the use of Council and senior management of South Cambridgeshire District Council. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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## 1 INTRODUCTION

### 1.1 The Role of Internal Audit

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of South Cambridgeshire District Council's assurance cycle and if used properly can inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Section 151 Officer, Council and Corporate Governance Committee.

The definition of internal audit, as described in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, is set out below:

- Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

### 1.2 Governance Statement

Under Regulation 4[2] of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit [Amendment] [England] Regulations 2006, authorities are required to publish a statement on internal control. From 2007/08, authorities have had to publish an annual governance statement in line with the CIPFA/SOLACE Good Governance Framework to meet that statutory requirement.

As your internal audit provider, the assignment opinions that RSM Tenon provides the organisation during the year are part of the framework or assurances that assist the Council prepare an informed governance statement.

## 2 INTERNAL AUDIT ASSURANCE FOR 2010/2011

### 2.1 Context

As the provider of the internal audit service to South Cambridgeshire District Council we provide the Section 151 Officer and the Council through the Corporate Governance Committee with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. This report is prepared solely for the use of South Cambridgeshire District Council and its senior management team.

Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

## 2.2 Internal Audit Assurance Statement

This annual Head of Internal Audit opinion is provided to South Cambridgeshire District Council by RSM Tenon Limited.

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of South Cambridgeshire District Council's arrangements.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2011 South Cambridgeshire District Council has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

## 2.3 Scope of the Internal Audit Opinion

In arriving at our opinion, we have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2011 (see Appendix A for a risk map of our

internal audit assurances and Appendix B for a summary of audits);

- The results of follow-up action taken in respect of audits from previous years;
- Whether high or medium recommendations have been accepted by management and, if not, the consequent risks;
- The affects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports or other assurance providers to the Corporate Governance Committee and/or Council;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation;
- What proportion of the organisation's internal audit needs have been covered to date;

## 2.4 The Basis of the Opinion

### Governance

Our review of the Council's Governance arrangements included a review of the members code of conduct, register of interest, declaration of interest and gifts and hospitality. The Council can take substantial assurance that the controls upon which the Council relied on to manage this area were suitably designed, consistently applied and effective.

## Risk Management

Our review of Risk Management and Assurance Stocktake included key documents such as the Risk Management Policy, Strategy, procedures, and risk registers. Our review also examined the reporting and monitoring of risks throughout the organisation as well as the use of assurances as part of the risk management process.

The outcome of this stock take review has highlighted the need for the organisation to more clearly define and document the assurances in place and to use assurances to inform the decision making process.

## Internal Control

All except one report issued resulted in positive assurance opinions. The one red opinion (negative opinion) report was in relation to Health and Safety - Tenant Electrical Safety Programme, where issues were identified with the recording of electrical safety testing completed and retention of the safety certificates.

As part of the 2010/11 Internal Audit Plan we undertook a follow up of this audit work towards the end of the year and found that adequate progress had been made on implementing the recommendations. Ten further reports received amber ratings of which four were amber red.

These were HR Absence Management, Capital Expenditure and Asset Management, Follow Up on GCSX CoCo Annual Assessment and Planning.

In addition to the Follow Up reviews mentioned above, we also undertook follow up reviews of Housing Responsive Maintenance where we found little progress has been made, management have advised that this was due to the update of the Housing Management System and the upcoming tender for the responsive maintenance contactor. In addition, we found within our HR Absence Management and General Follow Up that adequate progress had been made.

Management have assured us that the issues raised within all of our reports issued this year will be addressed in accordance with the agreed action plans. We will undertake a follow up review of this area during 2011/12 to confirm that these actions have been taken.

## Acceptance of Recommendations

All except one recommendation made during the year were accepted by management. The one recommendation not agreed was within the GCSX CoCo Annual Assessment, where a low recommendation in relation to the servers being configured with static ARP or DNS tables. Management did not accept the recommendation due to the level of resources required to implement the recommendation.

## 2.5 Governance Statement

The overall opinion may be used by the Section 151 officer and the Council in the preparation of the annual governance statement.

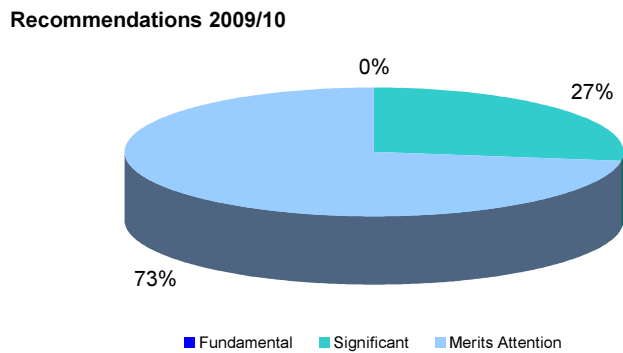
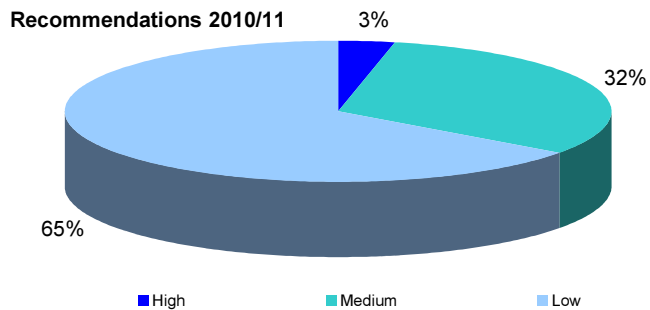
## 2.6 Conflicts of Interest

We have not undertaken any work or activity during 2010/11 that would lead us to declare any conflict of interests.

**2.7 Benchmarking data**

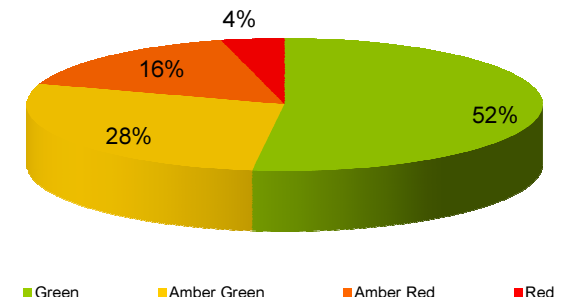
The tables below show the split of internal audit recommendations and opinions for South Cambridgeshire District Council in 2010/11 against those made in 2009/10.

**Comparison of the Number of Recommendations Made**

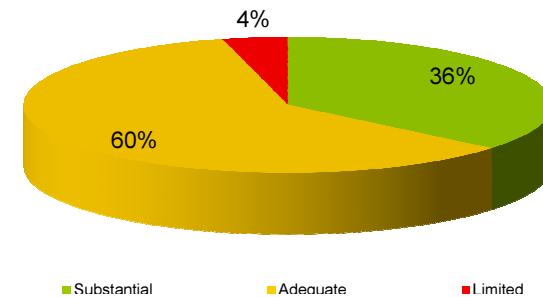


**Comparison of the Assurance Levels**

**Assurance Levels 2010/11**



**Assurance Levels 2009/10**

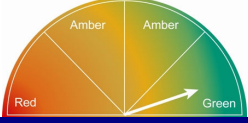
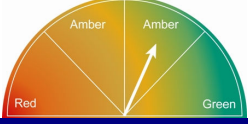
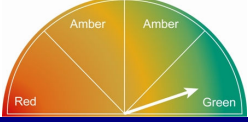
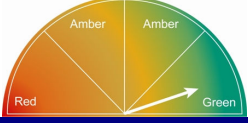
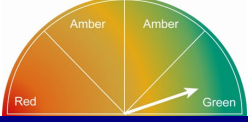


At the beginning of the year, we implemented a new RAG rating system for our opinions. The charts above have identified that the opinions are largely similar to the previous year. This year we have shown a split between the Amber Red and Amber Green opinions; under previous years these would have been classed as Adequate. This split gives the Council a clearer indication of the strengths and areas for further enhancement in control. In 2009/10 the Council had one Limited, 15 Adequate and nine Substantial assurances, compared to one Red, four Amber Red, seven Amber Green and 13 Green opinions in 2010/11.

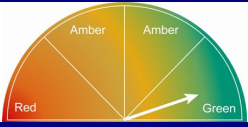
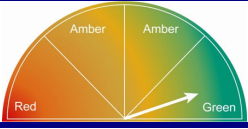


**APPENDIX A: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2010/2011**

Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
H&S - Tenant Electrical Safety Programme		3	2	7	12	12
HR - Absence Management		0	3	2	5	5
Housing Maintenance-Planned & Cyclical		0	3	3	6	6
Follow Up - Housing - Responsive Maintenance	Little Progress	0	2	5	7	7
HR – Redundancy	Advisory	-	-	-	13	13
Homelessness and Housing Advice		0	0	11	11	11
Section 106		0	1	1	2	2
Asset Management (Housing)		0	2	1	3	3

Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
General Ledger		0	0	1	1	1
Payroll		0	0	1	1	1
NNDR		0	4	3	7	7
Income and Debtors		0	0	1	1	1
Procurement		0	0	2	2	2
Housing Rents		0	0	4	4	4
Council Tax		0	2	2	4	4
Cash, Banking and Treasury Management		0	0	2	2	2

Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
Financial Planning & Budgetary Control		0	1	1	2	2
Payments and Creditors		0	1	4	5	5
Risk Management and Assurance Stocktake	Advisory	1	1	5	7	7
Capital Expenditure and Asset Management – CURRENTLY DRAFT REPORT		1	4	5	10	
Safeguarding		0	2	7	9	9
Reconciliations		0	1	2	3	3
Follow Up GCSX CoCo Annual Assessment		0	7	6	13	12
Planning		0	5	6	11	11

Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
Housing Benefits		0	0	0	0	0
Corporate Governance		0	0	1	1	1
Environmental Health - Health & Safety		0	0	3	3	3
Follow Up - Health and Safety and Electrical Safety Programme	Adequate Progress	0	2	1	3	3
Follow Up - HR Absence Management	Adequate Progress	0	0	2	2	2
Follow Up – CURRENTLY DRAFT REPORT	Adequate Progress	0	3	5	8	
Financial Top Up Testing		0	0	1	1	1
<b>Total</b>		5	46	95	159 (13 not categorised)	140 (18 not yet responded)

**APPENDIX B: DEFINITIONS OF THE LEVELS OF ASSURANCE AND THE CLASSIFICATION OF RECOMMENDATIONS**

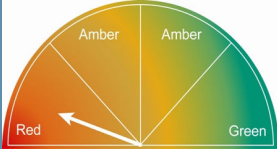
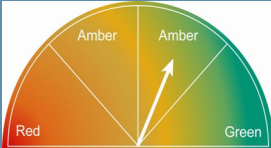
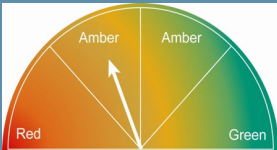
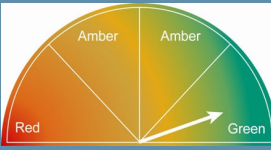
**Recommendation Categorisation**

Our findings and recommendations are categorised as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

**Opinions**

The definitions for the level of assurance that can be given are:

Opinion	Description	Opinion	Description
	<p>Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.</p>		<p>Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>
	<p>Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>		<p>Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.</p>

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**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

**Internal Audit Progress Report**

**Corporate Governance Committee Meeting: July 2011**

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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## 1. INTRODUCTION

- 1.1 The periodic internal audit plan for 2011/12 was approved by the Corporate Governance Committee in March 2011. This report summarises the outcome of work completed to date against that plan. Appendices A and B provide cumulative data in support of internal audit performance for the 2010/11 plan, Appendix C and D have the same data for the 2011/12 plan to date.

## 2. FINAL REPORTS ISSUED

- 2.1 We have finalised the following reports since the last Committee meeting; these are in the areas of:

### 2010/11

- Environmental Health – Health and Safety (27.10/11);
- Follow Up – Health and Safety and Electrical Safety Programme (28.10/11);
- Financial Top Up Testing (31.10/11);

### 2011/12

- HR – Absence Management including the Impact of Redundancies (1.11/12).

- 2.2 Appendix A & C summarises our opinions and the number of recommendations made during 2010/11 and 2011/12 to date.

## 3. KEY FINDINGS FROM INTERNAL AUDIT WORK

- 3.1 The Corporate Governance Committee should note that the assurances given in our audit assignments will be taken into account when we form our overall assurance opinion that we provide in our Annual Report. The 2010/11 Annual Report is being presented at this meeting and provides an unqualified opinion
- 3.2 The Corporate Governance Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion. We have not identified any issues from our 2011/12 work to date that will impact negatively on this year opinion.
- 3.3 No common weaknesses have been identified within our reports for either 2010/11 or 2011/12.

## 4. WORK IN PROGRESS OR PLANNED

- 4.1 We have also issued the following draft reports; these are in the areas of:

**2010/11**

- Capital Expenditure and Asset Management (20.10/11);
- Follow Up (30.10/11); and

**2011/12**

- Supported Housing (2.11/12).

4.2 We are currently at the fieldwork stage of the following review in the 2011/12 plan:

- Housing Maintenance – Planned and Cyclical

**5. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT**

5.1 Since the last Corporate Governance Committee we have met with Management to discuss the progress of the audit plan and to scope a number of 2011/12 audits.

**6. CHANGES TO OUR PLAN**

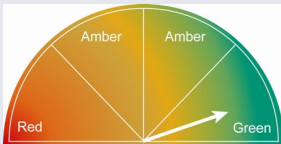
Since the last Committee, at the request of management, we have removed the Safeguarding audit from the 2011/12 plan due to the previous levels of assurance received. We will follow up the outstanding recommendations as part of our annual follow up review.

**7. CLIENT BRIEFINGS**

7.1 There have been two relevant client briefings issued since the last Corporate Governance Committee, further details of these can be found at Appendix E of our report.

**APPENDIX A: 2010/11 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASSURANCE LEVELS AND RECOMMENDATIONS**

Reports being considered at this Committee are shown in italics.

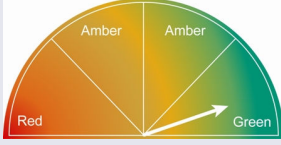
Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
<i>Environmental Health – Health and Safety (27.10/11)</i>	<i>17/02/11</i>	<i>25/2/11</i>	<i>28/02/11</i>	<i>25/3/11</i>	<i>28/3/11</i>	<i>June 2011</i>		<i>0</i>	<i>0</i>	<i>3</i>	<i>3</i>	<i>3</i>
<i>Follow Up Health and Safety and Electrical Safety Programme (28.10/11)</i>	<i>7/02/11</i>	<i>09/02/11</i>	<i>07/03/11</i>	<i>29/3/11</i> <i>16/5/11</i>	<i>16/5/11</i>	<i>June 2011</i>	<i>ADEQUATE PROGRESS</i>	<i>0</i>	<i>2</i>	<i>1</i>	<i>3</i>	<i>3</i>
<i>Top Up Testing (31.10/11)</i>	<i>7/03/11</i>	<i>21/3/11</i>	<i>4/4/11</i>	<i>13/5/11</i>	<i>13/5/11</i>	<i>June 2011</i>		<i>0</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>1</i>

**APPENDIX B: 2010/11 WORK IN PROGRESS OR YET TO START (INCLUDING REPORTS STILL IN DRAFT)**

Auditable Area	Start Date	Debrief date	Draft report issued
Capital Expenditure and Asset Management (20.10/11)	29/11/10	02/12/10	10/02/11 20/05/11
Follow Up (30.10/11)	08/02/11	14/2/11	07/03/11

**APPENDIX C: 2011/12 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASURANCE LEVELS AND RECOMMENDATIONS**

Reports being considered at this Committee are shown in italics.

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee	Assurance level given	Number of Recommendations Made				
						Actual (Planned)		High	Medium	Low	In Total	Agreed
<i>HR – Absence Management including the Impact of Redundancies (1.11/12)</i>	<i>18/04/11</i>	<i>21/04/11</i>	<i>16/05/11</i>	<i>27/05/11</i>	<i>27/05/11</i>	<i>June 2011</i>		0	0	5	5	5
<b>Totals to date:</b>								0	0	5	5	5

**APPENDIX D: 2011/12 WORK IN PROGRESS OR YET TO START (INCLUDING REPORTS STILL IN DRAFT)**

Auditable Area	Start Date	Debrief date	Draft report issued
Supporting Housing (2.11/12)	18/04/2011	28/04/2011	19/05/2011
Housing Maintenance – Planned & Cyclical	10/06/2011	17/06/2011	
Project Management	15/08/2011		
Housing Rents	08/08/2011		
Partnerships	08/08/2011		
Payroll (including Expenses & Pensions)	05/09/2011		
Housing Allocations and Voids	13/09/2011		
Creditors	06/10/2011		
Contract Services	10/10/2011		
Corporate Governance	11/10/2011		
Income & Debtors	12/10/2011		
General Ledger (including Budgetary Control)	18/10/2011		
Cash, Banking & Treasury Management	20/10/2011		
Capital Expenditure and Asset Management	24/10/2011		
NNDR	24/10/2011		
Council Tax	12/12/2011		
Risk Management and Assurance Stocktake	15/12/2011		

Auditable Area	Start Date	Debrief date	Draft report issued
Performance Management	16/01/2012		
Environmental Health	16/01/2012		
Housing Benefits	23/01/2012		
Top Up Testing	19/03/2012		
Taxation	Q2		
ICT Review	Q2		
Proactive Fraud Work	Q2		
Annual Governance Statement	Q4		
Follow Up	Q4		

## APPENDIX E: CLIENT BRIEFINGS

Bribery Act 2010 Update

4 April 2011

Client Briefing - Gen 03.11

### **The Bribery Act will now be fully implemented on 1 July 2011.**

The Bribery Act reforms criminal law to provide a new, modern and comprehensive scheme of bribery offences that will enable courts and prosecutors to respond more effectively to bribery in the UK or abroad. As part of the implementation of the Act, the Minister for Justice also revealed the statutory guidance on the adequate procedures required for businesses to avail themselves of a statutory defence to the corporate offence included in the Act.

In announcing the release of the guidance and the launch of the Act the Minister for Justice, Ken Clarke, said: *"I have listened carefully to business representatives to ensure the Bribery Act is implemented fully and in a workable, commonsense way – this is particularly important for small firms that have limited resources.*

*"I hope this guidance shows that combating the risks of bribery is largely about common sense, not burdensome procedures Without changing the substance of the Act, this guidance should save organisations of all sizes from the fears sometimes aroused by the compliance industry that millions of pounds must be spent on new systems that, in my opinion, no honest business will require in response to the commencement of this Act.*

*"Some have asked whether business can afford this legislation – especially at a time of economic recovery. But the choice is a false one. We don't have to decide between tackling corruption and supporting growth. Addressing bribery is good for business because it creates the conditions for free markets to flourish"*

The Act covers a wide range of both direct and indirect bribery offences, whether or not involving a public official, in the UK or abroad. This includes: offences committed by individuals; and corporate offences applicable to corporates and partnerships. Penalties for non-compliance with the Act are serious.

In the context of the legislation, a 'corporate'<sup>1</sup> is defined as any organisation that has some element of business activity, irrespective to what happens to any profit. Even if not deemed as a corporate, it is important from an ethical and governance stance that organisations ensure relevant policies and processes dovetail with the requirements of the Bribery Act and that they are aware of the obligations also placed upon suppliers and contractors they do business with.

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<sup>1</sup> Ministry of Justice Guidance, April 2011 (paragraph 35).



## KEY FACTS OF THE BRIBERY ACT

The Bribery Act 2010:

- Provides a more effective legal framework to combat bribery in the public and private sectors;
- Replaces the disjointed and complex offences of common law and those in the *Prevention of Corruption Acts 1889-1916*, which will be rescinded;
- Creates two general offences covering the offering, promising or giving of an advantage, and requesting, agreeing to receive, or acceptance of an advantage;
- Introduces a corporate offence of failure to prevent bribery by persons working on behalf of an organisation. Organisations may avoid conviction if they can show that they have adequate procedures in place to prevent bribery;
- Makes it a criminal offence to give, promise or offer a bribe and to receive or accept a bribe either at home or abroad. Measures also cover bribery of a foreign public official;
- Increases the maximum penalty for bribery from seven to ten years imprisonment, with an unlimited fine;
- Requires the Secretary of State to publish guidance about procedures that relevant commercial organisations can put in place to prevent prosecution for the corporate offence; and
- Helps tackle the threat that bribery poses to economic progress and development around the world.

## ADEQUATE BRIBERY PREVENTION PROCEDURES

As stated, it is a complete defence if the organisation can show that it has adequate bribery prevention procedures in place. These are as follows:

- **Principle 1 – Proportionate procedures:** A commercial organisation's procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the commercial organisation's activities. They are also clear, practical, accessible, effectively implemented and enforced.
- **Principle 2 – Top level commitment:** The top level management of a commercial organisation (be it a board of directors, the owners or any other equivalent body or person) are committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.
- **Principle 3 – Risk Assessment:** The commercial organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented.

- **Principle 4 – Due diligence:** The commercial organisation applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.
- **Principle 5 – Communication (including training):** The commercial organisation seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.
- **Principle 6 – Monitoring and review:** The commercial organisation monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

#### HOW CAN RSM TENON HELP?

RSM Tenon can offer further assistance in relation to the implementation of adequate procedures in scope of the Bribery Act. Please direct enquiries to:

**John Baker**, Director, Fraud Solutions on [john.baker@rsmtenon.com](mailto:john.baker@rsmtenon.com) or 07753 584 973.

Corporate Websites – Use of Cookies

06 April 2011

Client Briefing - Gen 04.11

### Technology Update – Change in the law on the use of Cookies by company websites

Public and private sector businesses should be preparing for the EU's new Privacy and Electronic Communications Directive law which comes into force on 25 May 2011. This new law will require businesses and organisations to obtain consent from visitors to their websites in the UK for the use of tracking technologies in order to store and retrieve usage information from users' computers. One of the most common forms of this technology is referred to as the use of 'cookies'; small files that websites may place on visitors' computers so that the computer can remember data that can be easily retrieved at a later date, for example: site browsing preferences; and payment details when users buy products online.

It is widely recognised that the Internet is dependent on the use of cookies and there are legitimate business reasons for using them. The Information Commissioner is currently working with the Government on guidance for organisations to ensure the changes required by the new law will not have a detrimental impact on consumers nor cause an unnecessary burden on UK public and private sector businesses running websites.

One option under consideration by the Information Commissioner is to allow consent to the use of cookies to be given via browser settings. However, in the meantime, both the business community and public sector organisations should be thinking clearly about how they will meet the requirements of the new Directive.

**A starting point for the compliance process** in advance of the introduction of the changes is to carry out an audit of the cookies currently in use on your website(s) to identify and remove any old or redundant cookies that are no longer required. This will ensure that the eventual obtaining of consent 'opt-ins' are more effective and efficient.

For further information and assistance in preparedness for this change in the law, contact:

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