

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Friday, 30 October 2009

PRESENT

Cllr D J Lawrence (Chairman)
Cllr R A Baker (Vice-Chairman)

Cllrs Mrs A Barker
A Shadbolt

Cllrs P Snelling
B J Spurr

Apology for Absence: Cllr T Green

Officers in Attendance: Mr J Atkinson Head of Legal Services
Mrs M Clampitt Democratic Services Officer
Mr C Heaphy Director of Corporate Resources
Mr A King Chief Accountant
Mr N Murley Assistant Director Audit & Risk

Others In Attendance: Ms D Hanson Audit Commission
Mrs C O'Carroll Audit Commission
Ms H Rothwell-Trickett Audit Commission
Ms K Storey Audit Commission

A/09/43 **Chairman's Announcements**

The Committee expressed their disappointment at the lateness of some reports and the subsequent lack of time available for review.

The Chairman also thanked Officers for all of their hard work on a brilliant job to date.

A/09/44 **Members' Interests**

(a) **Personal Interests:-**

None.

(b) **Personal and Prejudicial Interests:-**

None.

A/09/45 **Public Participation**

No applications had been received under Procedure Rule No. CM9 to speak during the fifteen minute question and statement period at the beginning of the meeting. Furthermore there had been no applications to speak under the Public Participation Scheme on any items included on the Agenda for this meeting.

A/09/46 **Petitions**

The Chairman announced that no petitions had been referred to this meeting.

A/09/47 **Disclosure of Exempt Information**

There were no disclosures of exempt information.

A/09/48 **Annual Governance Reports from the Audit Commission**

The Committee received the report of the Audit Commission which presented the Audit Commission's Annual Governance Report to the Audit Committee in respect of South Bedfordshire District Council and Bedfordshire County Council following their validation of the Statement of Accounts 2008/09.

Bedfordshire County Council

The Audit Commission informed the Committee that they would be issuing an unqualified opinion. It was noted that some errors in the financial statements had been identified and that the Use of Resources had found some areas of weakness but nothing which would require a qualified opinion.

It was noted that the external quality control review had determined that the Accounts had been at a high risk due to the Local Government Reorganisation (LGR). Confirmation of the land ownership deeds had required a high level of testing and delays had been experienced due to some deeds being filed with the Land Registry.

The Value for Money conclusion had confirmed the same information as at the last meeting. In addition, it was noted that the land deeds work resulted in an additional fee being charged.

Officers confirmed that they were liaising with the Audit Commission to simplify, where possible, the audit process. It was noted that the HRA and Capital Accounting, whilst the most complicated, could prove to be quite time consuming during the audit process. Officers would be liaising with the Audit Commission to ensure that our procedures are as accurate as possible.

The Audit Commission highlighted the following changes between the last meeting and the final review of the Accounts:

- Area based grant had been recorded twice
- Public Works Loan Board (PWLB) had cashflow errors
- Appendix 2 of the Statement stated the agreed changes
- Appendix 3 of the Statement stated the changes which the Council had not agreed to make.
- Material difference between schools land: 50% Mouchel and 32% Audit Commission (see paragraph 21)
- Payroll weaknesses
- Paragraph 25 stated 'no financial guarantees' however positive assurance had been received
- £119k redundancy cost – transitional cost? – not material but above trifling
- Redundancy payments not recorded in transitional costs. Not an impact to be recorded.
- IT hardware error £43k wrongly listed

It was noted that the letter of Representation for the Pension Fund was to be signed by Bedford Borough Council and then passed to the Director of Corporate Resources for signature. The Director of Corporate Resources was now happy with the revised wording.

Officers would liaise with the Chairman outside of the meeting to arrange SAP training for the Audit Committee Members.

It was noted that risks had been identified in the data quality. Page 16 confirmed that the Audit Commission had been unable to check the source back to calculations. There had been a decline in performance for 2008/09. An update would be brought to the next Committee.

South Bedfordshire District Council

The Audit Commission informed the Committee that they would be issuing an unqualified opinion. It was noted that the accounts were not free from errors but the Value for Money Statement would also be unqualified.

It was noted that South Bedfordshire District Council was the only Council which had a housing stock which had resulted in more complex capital accounting arrangements which in turn led to additional work.

The Audit Commission highlighted the following comments/amendments from the final review of the Accounts:

- The Accounts did not reflect difference of £12m due to a revaluation of the Housing stock at the beginning of the financial year
- Depreciation had been deducted twice from the 31 March 2009 valuation and as a result under the value of the assets on the balance sheet
- Page 9 the word 'not' was missing from the following sentence: 'Internal Audit coverage did not provide us with sufficient assurance in a number of areas and we were therefore required to undertake additional work'.

- Confirmation was required in the Letter of Representation that no additional land 'ransom strips' existed
- Wording around employees earning over £50k was amended to reflect that the note to the accounts only captured employees who had left by 31 March 2009. CBC accounts would need to disclose those employees who had left after the 31 March 2009.
- A note had been added to clarify that an error had occurred in the 2007/08 cash flow statement which stated £500k instead of £5m.
- As a result of the findings of the BCC Pension fund audit, SBDC had understated the value of pension assets/liabilities by £135k – not material so no amendment required
- National Non Domestic Rates grant return (NNDR3) – changes made in 09/10 referencing 08/09 year relating to errors in transitional relief - Payment to Central Government understated by £51k – not material so no amendment required.
- Appendix 2 of the Statement showed the agreed changes
- Appendix 3 of the Statement stated the changes which the Council had not agreed to make.

It was agreed that the combined Action Plan and Balance Sheet Disaggregation Progress Report would be presented to the January meeting.

RESOLVED

that the Audit Commission's Annual Governance Report in respect of Bedfordshire County Council and South Bedfordshire District Council for 2008/09 be approved.

A/09/49

Bedfordshire County Council Statement of Accounts 2008/09

The Committee considered the report of the Director of Corporate Resources which presented the Audit Commission's Annual Governance Report to the Audit Committee in respect of Bedfordshire County Council, following their validation of the Statement of Accounts 2008/09.

The Chairman was content with the work which had been done. There had been concerns re the valuation of assets and the £ value. No disposal of assets due to current market value. The Chairman congratulated Officers on a job well done.

Officers presented the Committee with a copy of the Letter of Representation and asked for their comments. Officers agreed that the suggested changes be made and then be circulated for formal approval by the Committee. Once this had been received, a hard copy would be provided for signature.

It was agreed that approval of the final post-audit Bedfordshire County Council Statement of Accounts 2008/09 be delegated to the Chairman in consultation with the Director of Corporate Resources.

RESOLVED

- 1. that the Audit Commission's Annual Governance Report in respect of Bedfordshire County Council for 2008/09 be approved.**
- 2. that agreement of the final Statement of Accounts in respect of Bedfordshire County Council be delegated to the Chairman of the Audit Committee and Director of Corporate Resources.**

A/09/50

South Bedfordshire District Council Statement of Accounts 2008/09

The Committee considered the report of the Director of Corporate Resources which presented the revised South Bedfordshire District Council Statement of Accounts 2008/09 to the Audit Committee following external audit validation.

The Committee approved the revised Statement of Accounts for South Bedfordshire District Council following the external audit validation and agreed their publication on the Council's website.

Officers presented the Committee with a copy of the Letter of Representation and asked for their comments. Officers agreed that the suggested changes be made and then be circulated for formal approval by the Committee. Once this had been received, a hard copy would be provided for signature.

It was agreed that approval of the final post-audit South Bedfordshire District Council Statement of Accounts for 2008/09 be delegated to the Chairman in consultation with the Director of Corporate Resources.

RESOLVED

- 1. that the revised South Bedfordshire District Council Statement of Accounts 2008/09 be approved**
- 2. that the final post-audit South Bedfordshire District Council Statement of Accounts 2008/09 for publication be delegated to the Chairman of the Audit Committee and the Director of Corporate Resources, be approved.**

A/09/51

Mid Bedfordshire District Council Statement of Accounts 2008/09

The Committee considered the report of the Director of Corporate Resources which which presented the revised Mid Bedfordshire District Council Statement of Accounts 2008/09 to the Audit Committee for approval following external audit validation.

The Committee noted that the Accounts had been finalised following the meeting held in September 2009. The Committee was asked to approve the publication of the revised accounts to the website.

It was noted that a repayment of £60,000 was to be made to the DWP. This item would be added to the Action Plan due to the processing time for the DWP queries.

RESOLVED

that the revised Mid Bedfordshire District Council Statement of Accounts 2008/09 be approved for publication.

A/09/52

Introduction of International Financial Reporting Standards (IFRS)

The Committee considered the report of the Director of Corporate Resources which outlined the likely changes arising from the introduction of International Financial Reporting Standards (IFRS) and set out the Council's approach to planning for these changes. The changes come into full effect from 2010 – 11 and, in some areas, will have an impact on the Council's systems and management processes.

It was noted that the 2010/11 Statement of Accounts would be affected by the changes. In addition the closing balances for 2009/10 would be restated however there could still be differences in the opening balances.

A Task Group had been established across the organisation to understand the impact of the changes. The Interim Lead on the project has experience from the NHS Service, which had already converted to the IFRS process. It was agreed that written updates outlining the progress made would be provided to the Audit Committee on a quarterly basis. It was noted that Briefing Notes will be issued to all Members of the Council and training would be provided for the Audit Committee Members.

Officers had been meeting with the Audit Commission to ensure that the changes are implemented in an acceptable process. Appendices A and B detailed the Action Plan and Work Plan for ensuring all changes would be completed.

RESOLVED

- 1. that the principal changes arising from the introduction of IFRS as detailed in the report of the Director of Corporate Resources, be noted.***
- 2. that the progress reports on the implementation of IFRS and its implications for the Council as detailed in the report of the Director of Corporate Resources, be received.***

(Note: The meeting commenced at 9.30 a.m. and concluded at 12.10 p.m.)