

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Council Chamber, Priory House, Monks Walk, Shefford on Monday, 27 June 2011

PRESENT

Cllr D Bowater (Chairman)
Cllr M C Blair (Vice-Chairman)

Cllrs L Birt
Mrs D B Green
D J Lawrence

Cllrs A Shadbolt
A Zerny

Members in Attendance: Cllrs M R Jones

Officers in Attendance:

Mr A King	Head of Financial Strategy
Mr L Manning	Committee Services Officer
Mr M Millar	Interim Chief Accountant
Ms K Riches	Head of Audit
Mr J Unsworth	Interim Assistant Director Financial Services
Mr C Warboys	Assistant Director Finance
Mr M Woolsey	Managing Solicitor Litigation, Regulation, Housing, Contracts, Employment and Environment

Others In Attendance:

Mr P King	Audit Commission
Mrs C O'Carroll	Audit Commission

A/11/1 **Minutes**

RESOLVED

that the Minutes of the meeting of the Audit Committee held on 4 April 2011 be confirmed and signed by the Chairman as a correct record.

A/11/2 **Members' Interests**

(a) **Personal Interests:-**

None.

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

None.

A/11/3 Chairman's Announcements and Communications

The Chairman reminded the meeting of the major difficulties which had arisen last year with regard to closing the Council's annual accounts for 2009/2010. He went on to state that, in contrast, the position this year appeared extremely positive with Central Bedfordshire Council being the first local authority within the local Audit Commission operational area ready to submit its International Financial Reporting Standards (IFRS) compliant 2010/11 Statement of Accounts for review. On behalf of the Committee the Chairman congratulated the officers for their efforts.

A/11/4 Petitions

No petitions were received from members of the public in accordance with the Public Participation Procedure as set out in Part D2 of the Constitution.

A/11/5 Questions, Statements or Deputations

In accordance with the Public Participation Procedure, as set out in Annex 1 of Part A4 of the Constitution, a member of the public made use of the opportunity to present a statement to the Committee containing reference to the following issues:

- the exclusion of the press and public prior to the consideration of exempt appendices to the Head of Audit's reports on the Internal Audit Annual Audit Opinion and the Tracking of Audit Recommendations on the Committee's agenda and the need for the public to have access to such information for evaluation purposes;
- the increase in the number of Council employees earning salaries between £50k to £150k between 2009/10 and 2010/11 and the justification for this;
- the involvement of some Members of the Council as suppliers of goods and services to the authority and issues regarding associated contracts, the tendering procedure and value for money. Reference to possible conflicts of interest, with specific reference to the Chairman's role as a governor of the South Essex Partnership Trust, was also raised.

A copy of the statement was circulated to all Members of the Committee and officers in attendance and the Chairman allowed time for the meeting to consider it. The Committee concurred with the Chairman's opinion that the part of the statement regarding the exclusion of the press and public should be noted and that the part of the statement regarding officer salaries was not a matter for the Audit Committee but for the Executive. This was confirmed by the Executive Member for Corporate Resources who stated that the matter should be referred to the Executive by the member of public for consideration. Last, and with regard to Member involvement in the supply of goods and services and, specifically, his own possible conflict of interest, the Chairman

replied that the South Essex Partnership Trust was a non-profit making body and he had been appointed as a governor of the Trust by the Council in order to be its representative. He explained that he reported back to the Council's Executive on Trust developments and assured the meeting that he experienced no conflict of interest in his role. The Committee concurred with the Chairman's opinion that this part of the statement should be noted.

A/11/6

Central Bedfordshire Statement of Accounts 2010/11

The Committee considered a report by the Director of Customer and Shared Services which presented the draft 2010/11 Statement of Accounts for Central Bedfordshire Council. The Committee was asked to note the content of the Accounts and approve their submission to the Audit Commission for review.

The Head of Financial Strategy advised the Committee that under the Accounts and Audit Regulations 2011 (SI No. 817) there was no longer a requirement for the draft accounts to be approved by Members by 30 June each year before they were submitted to the external auditor for validation. The new Regulations required that the external auditor first review the draft accounts and then Members give their approval to them when aware of the external auditor's findings. It was anticipated that approval would take place at the meeting of the Audit Committee on 26 September 2011.

The meeting noted that, as part of the external audit, the draft accounts would be made available to the public for inspection. The Head of Financial Strategy advised that the inspection dates had been slightly changed from those stated in the report and the period would now run between 18 July and 12 August 2011.

On an issue of clarification, and mindful that the Council's new Assistant Director of Finance had taken up his post that day, the Interim Assistant Director Financial Services advised that, for the purpose of approving the draft 2010/11 Statement of Accounts, he remained the Council's Section 151 Officer until 30 June 2011.

RESOLVED

that the content of the draft 2010/11 Statement of Accounts for Central Bedfordshire Council be noted and the Accounts be submitted to the Audit Commission, as the Council's external auditor, for review.

A/11/7

Pre-Statement Memorandum

The Committee received the Audit Commission's Pre-Statement Memorandum which set out the findings of the initial work that had been undertaken by the Commission on the Council's draft 2010/11 Statement of Accounts. The work was designed to give an opinion on the financial statements as to whether they were a fair representation of the Council's position as at 31 March 2011 and its income and expenditure for the year.

Additional information, in the form of a revised Appendix 1 to the report containing a completed Action Plan, was circulated at the meeting.

Members noted that the pre-statement work had covered the following areas:

- the documentation, walk-through and controls testing of key financial systems;
- the production of accounts compliant to International Financial Reporting Standards (IFRS) and the restatement of balances as at 1 April 2009 and 31 March 2010;
- a value for Money (VFM) conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

The Audit Manager (Audit Commission) reported that, although concern had been expressed in the past on the Council's readiness to implement IFRS, the Council had made good progress during 2011 and only the external auditor's review of the disclosure notes remained outstanding. The notes would be reviewed as part of the audit of the Statement of Accounts.

The Audit Manager next stated that the Commission's provisional conclusion was that an unqualified VFM audit opinion would be issued for the Council though this position would be revisited once the final outturn position for 2010/11 was known.

In response to a Member's query the Audit Manager confirmed that the Council had made significant progress during January and February in its preparations for IFRS and was now fully up to date. The Head of Financial Strategy added that the volume of disclosure notes for the main financial statement was substantial though the key figures submitted within the restated core financial statement had already been approved by the Audit Commission.

NOTED

the Audit Commission's Pre-Statement Memorandum 2010/11.

A/11/8

2010/11 External Audit Plan - Position Statement at June 2011

The Committee received a Position Statement as at June 2011 for the Audit Commission's External Audit Plan for 2010/11.

NOTED

the Audit Commission's External Audit Plan (Position Statement) for 2010/11.

A/11/9

External Annual Audit Fee Letter 2011/12

The Committee received the Audit Commission's Annual Audit Fee letter for 2011/12. The District Auditor (Audit Commission) introduced the letter which outlined the audit work that the Commission proposed to carry out for the Council during the 2011/12 financial year and the fee to be charged.

The District Auditor drew Members' attention in particular to the changes in the method of calculating the scale fee and to the proposed decreases in the total audit fee. The meeting noted that the scale fee for the Council was £308,142 and that any variations from this figure would only occur if any significant differences arose in the District Auditor's assessments of audit risk and complexity from those identified and reflected in the 2010/11 fee figure.

Members also noted the Audit Commission's indication in February 2011 that, subject to affordability, it would make additional rebates of up to £7.2M in total during 2011/12. The District Auditor advised the Committee that audited bodies were due to be advised of the level of rebates they would receive during the summer. This had not yet occurred but he would update the Committee as soon as information became available.

The District Auditor next informed the meeting that the Department for Communities and Local Government had written to local authority chief executives stating that, beginning with the 2012/13 audit, the Commission's audit work could be outsourced through a process of competitive tendering. Additional information on this proposal was expected within the near future.

NOTED

the Audit Commission's Annual Audit Fee letter for 2011/12.

A/11/10

Internal Audit Annual Audit Opinion

The Committee considered the annual report by the Director of Customer and Shared Services which presented an opinion on the overall adequacy and effectiveness of the Council's internal control environment together with any qualifications to that opinion, on which the opinion was based. In addition the report highlighted significant issues identified as part of Internal Audit's work including those that were particularly relevant to the Annual Governance Statement, a comparison of the Internal Audit work that had been planned against that which had actually been undertaken and a summary of the performance of the internal audit function against its performance measures and criteria.

For Members' benefit the Head of Audit highlighted aspects of the report for their attention.

With regard to performance management a Member commented on the progress made by Internal Audit on its Key Performance Indicators (KPIs) with particular reference to KPIs 01-04. He expressed concern that improvement

was either insufficient or performance had actually fallen for these Indicators. In connection with KPI04 he referred to the delay experienced as a result of auditees failing to return draft reports to Internal Audit in good time. He queried whether the auditees themselves were under too much pressure to respond quickly. The Head of Audit stated that this possibility had been acknowledged and that attempts were being undertaken to streamline the process.

A Member referred to the use of the Council's Fraud Hotline by town clerks. He also commented on the possibility of difficulties arising should more schools become independent of the Council as Academies, leaving the less financially efficient schools dependent on local authority assistance. In response the Head of Audit undertook to discuss the reference to the use of the Fraud Hotline by town clerks outside the meeting. She also commented that there was a mix of schools seeking to become Academies.

NOTED

the Internal Audit Annual Audit Opinion report.

A/11/11

Tracking of Audit Recommendations

The Committee considered a report by the Director of Customer and Shared Services which summarised the high risk recommendations arising from Internal Audit reports, outlined how these were monitored and the progress made on their implementation as at the end of May 2011.

NOTED

the report on the high risk recommendations arising from Internal Audit reports and the progress made in implementing these as at the end of May 2011.

A/11/12

Audit Committee - Evening Meetings

The Committee considered a request from a Member that some meetings of the Audit Committee be held in the evening. The Member had previously expressed concern regarding his ability to attend day-time meetings due to his work commitments.

In support of his request the Member stated that, by holding its committee meetings exclusively during the day, the Council was failing to achieve its aim of being inclusive. Day-time meetings denied full-time workers and those with child care and other commitments the opportunity to attend. He added that the two main areas of objection to providing evening meetings, employee costs and refreshment provision costs, could be met without excessive financial burden. He stated that employees could take time off in lieu and that the relatively small cost of providing food should be tolerated for the purpose of achieving accessibility.

However, in response other Members objected to the Member's request. It was stated that the Council's calendar of meetings had been published ahead of the recent local elections and the content had made clear to any potential candidates that election to the Council would necessitate attendance at day-time meetings. It was also commented that that there were only four meetings of the Audit Committee during each municipal year and this did not place a major barrier to attendance whether by Members or the public. Further, it was pointed out that many Members had evening commitments such as town and parish council meetings.

It was proposed by the Member that the Audit Committee hold one of its forthcoming meetings during the evening to establish the level of public attendance on a trial basis. However, the motion failed to be seconded and, therefore, fell.

A/11/13

Exclusion of Press and Public

RESOLVED

that in accordance with Section 100A (4) of the Local Government Act 1972 the Press and Public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act:

- (a) Appendix A to the Internal Audit Annual Audit Opinion report referred to in Minute 11/10 above;**
- (b) Appendix C to the Internal Audit Annual Audit Opinion report referred to in Minute 11/10 above;**
- (c) Appendix 3 to the Tracking of Audit Recommendations report referred to in Minute 11/11 above;**
- (d) Appendix 4 to the Tracking of Audit Recommendations report referred to in Minute 11/11 above.**

(Note: Immediately following the above resolution a member of the public objected to the exclusion of the press and public on the basis that only the Chairman, and not the Committee as a whole, had considered and responded to the statement he had submitted earlier in the meeting (minute 11/5 above refers). However, the Managing Solicitor Litigation, Regulation, Housing, Contracts, Employment and Environment stated that the Committee had considered the statement and its business had been conducted in a proper manner).

A/11/14 Internal Audit Annual Audit Opinion - Exempt Appendix A

The Committee considered the information contained within exempt Appendix A to Item 11 (Internal Audit Annual Audit Opinion). The Appendix contained a summary of Internal Audit activity during 2010/11.

Members raised several points with regard to the key issues arising from completed reviews on a range of topics.

With regard to Council Tax and NNDR processes the Interim Assistant Director Financial Services commented that whilst some weaknesses had been addressed further action was still required. He stated that he was willing to place more emphasis on dealing with any remaining systems control issues as these fell within his remit.

A Member referred to the review of the Bedfordshire Music Service and commented that both users and teachers had expressed dissatisfaction on the interim solution for service delivery. In response comment was made that the review had been finalised before disaggregation of the service and the Chairman suggested that the Member raise the issue of service delivery at the Children's Services Overview and Scrutiny Committee.

NOTED

exempt Appendix A to the Internal Audit Annual Audit Opinion report.

A/11/15 Internal Audit Annual Audit Opinion - Exempt Appendix C

The Committee considered the information contained within exempt Appendix C to Item 11 (Internal Audit Annual Audit Opinion). The Appendix set out the special investigations arising and completed in 2010/11.

NOTED

exempt Appendix C to the Internal Audit Annual Audit Opinion report.

A/11/16 Tracking of Audit Recommendations - Exempt Appendix 3

The Committee considered the information contained within exempt Appendix 3 to Item 12 (Tracking of Audit Recommendations). The Appendix detailed outstanding Internal Audit recommendations from 2010/11. The Head of Audit updated Members on the current situation with regard to some of the outstanding recommendations.

NOTED

exempt Appendix 3 to the Tracking of Audit Recommendations report.

A/11/17

Tracking of Audit Recommendations - Exempt Appendix 4

The Committee considered the information contained within exempt Appendix 4 to Item 12 (Tracking of Audit Recommendations). The Appendix detailed Internal Audit recommendations outstanding since the last meeting of the Audit Committee in April 2011.

The Head of Audit worked through the Appendix updating Members on developments and providing supplementary information where necessary.

NOTED

exempt Appendix 4 to the Tracking of Audit Recommendations report.

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.53 a.m.)

Chairman

Dated