

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 14, Priory House, Monks Walk, Shefford on Monday, 26 September 2011

PRESENT

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

Cllrs Mrs D B Green
D J Lawrence

Cllrs A Shadbolt
A Zerny

Apologies for Absence: Cllrs L Birt

Substitutes: Cllrs N B Costin (In place of L Birt)

Members in Attendance: Cllrs M R Jones

Officers in Attendance:	Mr J Atkinson	Head of Legal and Democratic Services
	Mr P Fraser	Head of Partnerships & Community Engagement
	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 Chief Executive - Resources
	Mrs L Schultz	Finance Manager – Capital and Co-ordination
	Mr C Warboys	Chief Finance Officer

Others In Attendance:	Mr P King	Audit Commission
	Ms C O'Carroll	Audit Commission
	Mrs H Rothwell-Trickett	Audit Commission

A/11/18 **Minutes**

The Chairman reported that a member of the public had requested that greater detail be included in the minutes when reporting the issues raised under the Public Participation Procedure. It had also been suggested that the names of those raising such issues should be included within the minutes. In response the Committee Services Officer explained that the minutes were not meant to be a verbatim record of the debate but provide a representation of that which had taken place. Further it was not the practice to record individual's names.

The meeting then turned to consider the accuracy of the minutes.

RESOLVED

that the minutes of the meeting of the Audit Committee held on 27 June 2011 be confirmed and signed by the Chairman as a correct record subject to the following amendment:

Minute A/11/12 (Audit Committee – Evening Meetings)

Delete the following sentence from paragraph 1:

‘The Member had previously expressed concern regarding his ability to attend day-time meetings due to his work commitments.’

A/11/19 **Members' Interests**

(a) **Personal Interests:-**

Member	Item	Nature of Interest	Present or Absent during discussion
Cllr D J Lawrence	7, 8	Is trustee and Vice-Chair of Bedford Borough Council's Pension Fund Committee (which acts on behalf of Central Bedfordshire Council's pension fund).	Present

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

None.

A/11/20 **Chairman's Announcements and Communications**

None.

A/11/21 **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/11/22 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 Annex 1 of Part A4 of the Constitution.

A/11/23 Annual Governance Report 2010/11

The Committee received the Audit Commission's Annual Governance Report for 2010/11. The report set out the Commission's findings on the audit of Central Bedfordshire Council's financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in the use of resources.

The District Auditor (Audit Commission) worked through the report highlighting points for Members' information. Under the section 'Quality of Your Financial Statements' (Issue 6) he stated that he had now agreed the proposed amendments in the amended Note 7. He next commented in general on the significant improvement in the arrangements for the submission of the accounts in comparison to the previous year and their production in the International Financial Reporting Standards (IFRS) compliant format. He commented that the latter was a major achievement in itself and expressed his thanks to the Council's officers for their efforts and achievement.

The District Auditor stated that he had identified some material disclosure errors within notes to the accounts and a number of non-material errors and uncertainties. He added that the Council's officers had agreed to adjust the financial statements for all but 12 of the errors and these 12 were detailed in Appendix 3 to the report. The amendments that had been carried out to the draft financial statements were set out at Appendix 2.

The Audit Manager (Audit Commission) explained that the more significant amendments that had been made to the accounts were separately reported in Appendix 2. She brought the Committee's attention to an amendment to Note 21 'Creditors' which had not been separately disclosed and which she needed to bring to their attention due to the value of the amendment made. In Note 21 creditors of £4.6 million were reclassified as being due from "central government bodies" rather than "other" and £1.7 million was reclassified from "other" to "other local authorities". There was no change in the total creditor figure in Note 21 or the balance sheet.

The District Auditor next referred the Committee to the 'Key Messages' section of his report and the receipt of questions from the public. He added that, since preparing the report, four more questions had been submitted including queries in relation to the Council's use of Section 106 monies. The District Auditor advised that whilst he did not think at this point that the questions were likely to affect the issue of an audit report containing an unqualified opinion on the financial statements and an unqualified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of its

resources (value for money) he would be unable to issue the certificate of audit completion whilst any questions remained unanswered.

The District Auditor drew Member's attention to the potential risk to the independence of the audit due to a member of his staff having previously worked with the Council's Head of Audit. To reduce the risk to an acceptable level the member of staff had not been allocated any work that reviewed Internal Audit in general or specific pieces of Internal Audit work. In addition the District Auditor also advised that the Audit Commission's Audit Practice had undertaken non-audit work for the Council. The Council had agreed to work with the Audit Commission to pilot the Commission's Simplify and Perfect approach to Housing Benefit. No fee had been charged for the work. Last, a shared Final Accounts workshop had been held at the request of Bedford Borough and Central Bedfordshire Councils for which a fee had been charged.

Turning to the key audit risks which he had identified the District Auditor referred to the finding regarding the Council's adoption of International Financial Reporting Standards (IFRS) and commented that the Council's experience in this area had been similar to that nationally. He added that a significant number of other local authorities had fallen behind in their preparations for IFRS to the extent that their accounts were at risk of not being published by the statutory deadline of 30 September.

Moving next to internal control issues the District Auditor referred to his recommendations on meeting the identified weaknesses. Members were aware that Appendix 6 to the report, which formed the action plan in which the Council was to detail its responses to the District Auditor's recommendations, was uncompleted. However, the Head of Financial Strategy circulated a completed Appendix 6, setting out the Council's responses, to replace that attached to the report and Members considered this document.

It was noted that the template draft Letter of Representation included within the Annual Governance Report at Appendix 5 had been superseded by the draft Letter of Representation included at Appendix B to Item 8 (2010/11 Statement of Accounts). Minute A/11/24 below refers.

With regard to the requirement on him to conclude whether the Council had put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) the District Auditor stated that he would issue an unqualified conclusion stating that the Council had proper arrangements in place to achieve this.

A Member referred to Appendix 2 and sought clarification on the capital commitment in respect of the NHS Campus closure. In response the Executive Member for Corporate Resources explained that, as the NHS wished to move patients into community care, it provided funds to the Council so that, in return, the Council made buildings available under its capital programme for NHS community care use.

NOTED

- 1 **the Audit Commission's Annual Governance Report on its findings on Central Bedfordshire Council's audit for 2010/11 and the issue of an audit report by the Commission containing an unqualified opinion on the financial statements and an unqualified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources (value for money);**
- 2 **the adjustments to the financial statements as set out at Appendix 2 to the Annual Governance Report.**

RESOLVED

that the Council's response to the District Auditor's recommendations within the Annual Governance Report, as set out in the completed version of Appendix 6 (Action Plan) and circulated by the Head of Financial Strategy at the meeting, be approved.

A/11/24

Central Bedfordshire Council Statement of Accounts 2010/11

The Committee considered a report by the Chief Finance Officer which presented the 2010/11 Statement of Accounts for Central Bedfordshire Council for approval. The meeting was aware that the accounts, together with the audit opinion and certificate, had to be published by 30 September.

The full set of annual accounts was attached at Appendix A to the report.

Members noted that auditing standards required that the External Auditor obtain the appropriate written representation from the Council regarding the financial statements and governance arrangements. The Committee was also asked, therefore, to approve a draft letter of representation to the Audit Commission, a copy of which was attached at Appendix B to the Chief Finance Officer's report.

The Head of Financial Strategy stated that there had been no change in the General Fund Balance and no material errors had been identified in the key financial statements. The Statement of Accounts before the meeting was identical to the certified version presented to the Committee in June and subsequently subjected to both public inspection and external audit validation.

With regard to the draft letter of representation the Head of Financial Strategy explained that this set out the details of the unadjusted misstatements and provided details on the reasons for not correcting those items.

On behalf of Members, and with their full support, the Executive Member for Corporate Resources expressed his congratulations to officers for their efforts.

RESOLVED

- 1 that the 2010/11 Statement of Accounts for Central Bedfordshire Council, as set out at Appendix A to the report of the Chief Finance Officer, be approved and published;
- 2 that the draft Letter of Representation, as set out at Appendix B to the report of the Chief Finance Officer, be approved for submission to the Audit Commission;
- 3 that the Audit Committee records its appreciation to the officers for their work in the preparation of the 2010/11 Statement of Accounts.

(Note: At this point in the Committee's proceedings it was decided to bring forward Item 10 (Internal Audit Progress Report) for consideration prior to Item 9 (Quarter 1 Risk Report)).

A/11/25

Internal Audit Progress Report

The Committee considered a report by the Chief Finance Officer which provided an update on the status of Internal Audit work for 2011/12 as at 31 August 2011. The Head of Audit worked through the report drawing Members' attention to the progress which had been made.

A Member referred to the Key Performance Indicators (KPI's) and commented that, whilst KPI's 01-04 had shown an improvement, they were still well below the target figures and he stressed the need for substantial improvement. Concern was then expressed by another Member that the effectiveness of the audit function could be diluted by recent changes in working practices. In response the Head of Audit assured the Committee that the role undertaken by Internal Audit was clearly defined and the quality of its work had not been adversely affected by the changes.

Members were aware that the Internal Audit Plan, which had originally been approved by the Committee 4 April 2011, was subject to proposed revisions following discussions between Internal Audit and senior officers. The meeting noted that, with regard to the IT audit plan, the combination of the Information Security and Desk Top Security audits would lead to a saving of five days. This time could then be added to the SAP Access and Authorisation audit making 15 days available for that review. It was also noted that the review of Financial Management within Social Care, Health and Housing Directorate had been deferred until next year at the request of the Director and that the secondment of a member of the Internal Audit Team to Finance to assist with the SAP Optimisation/Recovery Plan had been extended and this could impact on the delivery of the Internal Audit Plan.

Members noted that Internal Audit would continue to review and reassess risks in view of changes in funding and legislation and would bring any further changes to the Internal Audit Plan to the Committee for approval.

NOTED

the progress made against the 2011/12 Internal Audit Plan.

RESOLVED

that the proposed revisions to the 2011/12 Internal Audit Plan with regard to the IT audit plan, the SAP Access and Authorisation audit and the deferral of the review of Financial Management within Social Care, Health and Housing be approved.

A/11/26

Quarter 1 Risk Report

The Committee considered a report by the Head of Partnerships and Community Engagement which provided an overview of the Council's risk position as at the end of Quarter 1 (June – August 2011). A risk summary dashboard, which covered both strategic and operational risks, was attached at Appendix A to the report.

Members were aware that, at the Committee's meeting held on 4 April 2011, they had requested that a regular quarterly risk report be submitted to assist them in carrying out their responsibility in monitoring the Risk Management Policy Statement.

The Head of Partnerships and Community Engagement stated that the two strategic risks with the highest residual exposure continued to be financial pressures and staffing issues both of which related to the Council's ability to achieve its efficiency targets and the impact on staff of any subsequent reduction in resources. However, he stressed that both were well managed and there had been no change in their rating. Overall there had been little change within the 12 risks listed within the strategic risk matrix.

With regard to operational risks the meeting noted that the payroll contract and its current systems and processes represented the risk with the highest residual exposure. In addition five new risks had appeared in the 10 listed within the operational risk matrix.

The Head of Partnerships and Community Engagement clarified issues in response to Members' queries.

NOTED

the strategic and operational risks facing Central Bedfordshire Council as set out in the risk summary dashboard attached at Appendix A to the report of the Head of Partnerships and Community Engagement.

A/11/27

Tracking of Audit Recommendations

The Committee considered a report by the Chief Finance Officer 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 August 2011. The meeting noted that, in order to distinguish between recommendations made during 2010/11 and those in the current financial year, the tracking had been presented in two tables: one summarised the reports issued during 2010/11 and included within previous monitoring reports to the Committee whilst the second summarised reports issued since the Committee's meeting on 4 April 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 August 2011.

A/11/28 **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 item of business on the grounds that it involves the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act:

Appendix B to the Internal Audit Progress Report referred to in Minute 11/25 above.

A/11/29 **Internal Audit Progress Report - Exempt Appendix B**

The Committee considered the information contained within exempt Appendix B to Item 10 (Internal Audit Progress Report). The Appendix set out a summary of the three special investigations concluded since the last meeting. The Head of Audit added that a fourth special investigation was nearing completion.

At the request of Members, and in order to establish whether any member of the Committee was a local ward councillor, the Head of Audit advised the meeting of the geographical locations where two of the three completed special investigations had been carried out.

With regard to the third completed special investigation a query was raised by a Member as to whether a Central Bedfordshire councillor had followed the correct procedure in connection with the declaration of interests. Following discussion the Head of Legal and Democratic Services and the Member undertook to consider the matter further after the meeting had finished.

The Head of Audit advised the meeting which Council directorate was affected by the fourth, unfinished, special investigation.

NOTED

exempt Appendix B to the Internal Audit Progress Report.

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.40 a.m.)

Chairman

Dated