

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 14, Priory House, Monks Walk, Shefford on Monday, 23 January 2012

PRESENT

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

Cllrs Mrs D B Green
D J Lawrence

Cllrs A Shadbolt
A Zerny

Members in Attendance: Cllr M R Jones

Officers in Attendance: Mr L Manning Committee Services Officer
Ms K Riches Head of Internal Audit and Risk
Mr C Warboys Chief Finance Officer & Section
151 Officer

Others In Attendance: Mr P King Audit Commission
Ms C O'Carroll Audit Commission

A/11/30 **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 26 September 2011 be confirmed and signed by the Chairman as a correct record.

A/11/31 **Members' Interests**

(a) **Personal Interests:-**

None.

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

None.

A/11/32 **Chairman's Announcements and Communications**

The Chairman stated that the running order of the agenda items had been changed and the Audit Commission items would now be considered last. He explained that this was because the District Auditor (Audit Commission) had attended an earlier meeting elsewhere and had not yet arrived at the Council

offices. In addition the Chief Finance Officer had to leave the Committee early in order to attend another meeting.

The Chairman next informed Members that, with the assistance of the Head of Internal Audit and Risk and as required under paragraph 5.2.2 of the Committee's terms of reference, he had prepared a report for Council on the Committee's activities. The meeting noted that the report could not be submitted to the Council's budget meeting in February so it would be received at the AGM on 19 April.

A/11/33 Petitions

No petitions were received from members of the public in accordance with the Public Participation Procedure as set out in Annex 2 of Part A4 of the Constitution.

A/11/34 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/11/35 Internal Audit Progress Report

The Committee considered a report by the Chief Finance Officer which provided Members with an update on the status of the Internal Audit work for 2011/12 as at 31 December 2011.

The report covered the following matters:

- Updated internal audit plan
- Progress on the 2011/12 internal audit plan including:
 - managed audits
 - other audit work
 - National Fraud Initiative
 - fraud and special investigations
 - schools
 - performance management.

The Head of Internal Audit and Risk introduced the report and drew Member's attention to various points as she did so. It was noted that, as a result of reduced staffing resources due to the extended secondment of an Audit Team member to Finance and the need to deliver in-year budget savings, the Plan had been reassessed and, in consultation with Directors, several reviews had been removed or deferred until next year. It was further noted that, of the reviews that had been removed, it was possible that some audits might be undertaken in the future.

RESOLVED

that the proposed revisions to the 2011/12 Internal Audit Plan with regard to the removal or deferral of reviews regarding those matters listed in Appendix A to the Chief Finance Officer's report be approved.

NOTED

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

A/11/36

Revised Anti-Fraud and Confidential Reporting Policies

The Committee considered a report by the Chief Finance Officer which sought Members' approval of proposed changes to the Anti-Fraud and Corruption Strategy and the Confidential Reporting Policy. The meeting noted that the Strategy now included an appendix on anti-bribery in order to meet the requirements of the Bribery Act 2010. Members were reminded that a training session on the Act, which had come into force on 1 July 2011, had been held in October 2011.

Revised officer recommendations were circulated at the meeting which, if adopted, would enable the Monitoring Officer to amend the Strategy as a result of changes to the role of the Standards Committee introduced by the Localism Act and to amend the contact officers listed in both the Strategy and Policy. It was also recommended that the Monitoring Officer report on any changes he introduced to the Audit Committee's next meeting.

The meeting noted that the new Strategy and Policy would replace those already on the Council's website. In addition the revised documents would be promoted more intensively within the Council itself than the previous versions.

In response to a Member's query the Head of Internal Audit and Risk stated that there were mechanisms in place for reporting and recording gifts and hospitality received by employees.

Discussion took place on ethical standards provision and the meeting noted that this issue was being examined by both the General Purposes Committee's Ethical Standards Task Force and the Constitution Advisory Group.

RESOLVED

- 1 that the proposed revisions to the Anti-Fraud and Corruption Strategy (including anti-bribery) and the Confidential Reporting Policy be approved;**
- 2 that the Monitoring Officer be authorised to:**
 - a) amend the Anti-Fraud and Corruption Strategy to reflect any changes in the role of the Standards Committee;**

- b) **amend the Anti-Fraud and Corruption Strategy and the Confidential Reporting Policy to reflect any changes to the contact officers that are listed.**
- 3 that the Monitoring Officer report to the next scheduled meeting of the Audit Committee setting out any amendments made under resolution 2 above.**

A/11/37

Risk Update Report

The Committee considered a report by the Chief Finance Officer which provided an overview of the Council's risk position as at the end of November 2011. A risk summary dashboard, covering both strategic and operational risks, was attached at Appendix A to the report.

The meeting noted that financial pressures and staffing issues continued to be the two strategic risks with the highest residual score. It was also noted that the reference to changes to terms and conditions within the Staffing Strategic Risk (reference STR0004) had been removed as these changes had now been put into effect.

In response to a Member's query the Head of Internal Audit and Risk explained changes to the definition of Contract Strategic Risk (reference STR0007).

Turning next to operational risks the meeting noted that six of the top ten risks were new entries.

In connection with the Payroll Contract Operational Risk (reference CSS020002) the Executive Member for Corporate Resources informed the meeting that negotiations were underway with Serco, the current payroll contractor, to end the contract and bring the service back in-house as from 1 April 2012.

The Vice-Chairman commented that, when individual risks dropped out of the strategic and operational risk matrices, it would be useful to receive an explanation as to why their status had changed. In response the Chief Finance Officer undertook to identify in future reports why individual risks rose or fell within the matrices.

The Chairman suggested that it would of greater benefit to focus on the impact of individual risks rather than the likelihood of them occurring.

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 Chief Finance Officer.

A/11/38 **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 December 2011.

The Head of Internal Audit and Risk introduced the report and highlighted particular items for Members' attention. Arising from this the Chairman expressed concern that the Council was having to undertake remedial works to repairs carried out by utility companies yet appeared to be taking insufficient action to recharge for these works. A Member commented that poor quality repairs by utility companies were a national problem and he suggested that, as Central Bedfordshire would not be able to take effective action alone, the Local Government Association be approached to do so. However, following further consideration, it was felt that the issue should be raised through the Executive and a local Member of Parliament.

RESOLVED

that the Executive Member for Corporate Resources be requested to raise the issue of the Council having to undertake remedial works to poor quality repairs carried out by utility companies, and then having to recharge the latter, with the Executive and that this issue also be brought to the attention of Andrew Selous MP (South West Bedfordshire).

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 December 2011.

A/11/39 **Annual Audit Letter 2010/11**

The Committee received the Audit Commission's Annual Audit Letter for 2010/11. The District Auditor (Audit Commission) reminded Members that much of the information in the Audit Letter had been considered previously by the Committee at its meeting on 26 September 2011 (minute A/11/23 refers). Members were also aware that a copy of the Audit Letter had been sent to them on 23 November 2011.

The District Auditor drew Members' attention to the following matters within the Audit Letter:

- Key messages
- Current and future challenges
- Financial statements and annual governance statement
- Value for money

- Closing remarks
- Appendices 1 and 2

A Member referred to the questions (set out within the Key Messages section of the Letter) which had been raised by a member of the public on the Council's management and use of section 106 funds. He used the opportunity to express his own concerns regarding what he believed to be the Council's shortcomings in this area and particularly a failure to focus on best value. In response the District Auditor explained that much of what had been raised by the Member fell outside his area of responsibility.

The Chairman commented that the points raised by the Member had been appreciated and that consideration was being given to such issues elsewhere.

NOTED

the Audit Commission's Annual Audit Letter for 2010/11.

A/11/40

Audit Committee Update

The Committee received a report which provided an update on the progress made by the Audit Commission in undertaking its work as the Council's external auditors. It also provided information on the externalisation of the Audit Practice and highlighted key emerging national issues and developments. A number of questions were listed which it was felt the Committee might wish to consider in respect of the issues highlighted in the report.

The Audit Manager (Audit Commission) invited Members to contact her or the District Auditor (Audit Commission) should they require any additional information or explanation.

Arising from a query on the externalisation of the Audit Practice the Audit Manager advised that the new external auditor for 2012/13 onwards would be known by the time of the next Audit Committee on 2 April 2012.

With regard to the Commission's questions within in the report, and in response to a query by the Chairman, the Executive Member for Corporate Resources stated that the Chief Finance Officer and Head of Internal Audit and Risk would be preparing cross-directorate responses to the questions for submission to the next meeting of the Audit Committee.

In relation to the question on school governors a Member sought assurance from the Audit Commission representatives that the new external auditor would not regard governance as being restricted to the auditing of accounts. In response the District Auditor explained that all bids to undertake the role of external auditor would be assessed against accepted quality criteria. The new auditors would still be required to carry out their work in accordance with the Audit Commission's Code of Audit Practice as well as professional auditing standards. Governance matters would continue to be part of the external audit role insofar as it fell within the auditor's role and statutory responsibilities. He added that private firms already held approximately 30% of the external audit

appointments made by the Audit Commission and were required to meet the same standards. Furthermore, the Audit Commission's quality monitoring regime would continue to ensure that such standards were maintained by all firms in the future.

A Member referred to the Commission's question relating to the circulation of the DCLG's plain English guide to the Localism Act to all Members. In response the Executive Member for Corporate Resources stated that the guide would be circulated in full to Members and to officers as required.

NOTED

the Audit Commission's Audit Committee update.

A/11/41

Audit Plan 2011/12

The Committee received the Audit Commission's Audit Plan which set out the Commission's work for the 2011/12 audit. The Audit Manager (Audit Commission) introduced the Plan, drawing Members' attention to the significant risks which had been identified for the valuation of property, plant and equipment (PPE), schools and Housing Revenue Account (HRA) reform. She emphasised that this did not indicate that a problem existed in the areas identified but that they would require special audit consideration on the grounds that the risk could result in a material misstatement in the financial statements.

Turning to the identification of specific risks the meeting noted that a specific risk was a specific issue related to a particular item in the financial statements. Whilst it might not lead to a material misstatement it required the Commission to carry out focused audit work. Only one specific risk had been identified by the Audit Commission and this referred to section 106 agreements and their management. The Audit Manager advised that work in this area would be carried out over the next few months and that it was intended to present an update on this to the next meeting of the Committee in April.

A Member raised a query with regard to the value and liability of roads and their maintenance. In response the District Auditor (Audit Commission) explained that he would not expect to see the recognition of liability for future road maintenance in the accounts as this would be dealt with as it fell due. He explained that road maintenance was not recognised as a liability even at the point of adoption and that a road's recognised value was the same as any other infrastructure asset with the valuation supplied by experts in that particular area. The District Auditor added that the presentation of assets on the Council's balance sheet complied with the required accounting standards.

NOTED

the Audit Commission's Audit Pan for the 2011/12 audit.

(Note: The meeting commenced at 2.00 p.m. and concluded at 3.29 p.m.)

Chairman

Dated