

## CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Chicksands, Shefford on Monday, 24 September 2012

### PRESENT

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

Cllrs N B Costin  
Mrs D B Green

Cllrs D J Lawrence  
A Zerny

Apologies for Absence: Cllr A Shadbolt

Members in Attendance: Cllr M R Jones

Officers in Attendance: Mr J Atkinson Head of Legal and Democratic Services  
Mr R Gould Head of Financial Control  
Mr L Manning Committee Services Officer  
Ms K Riches Head of Internal Audit and Risk  
Mr N Visram Financial Controller  
Mr C Warboys Chief Finance Officer & Section 151 Officer

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

The Committee stood in silence in memory of Councillor P F Vickers who had died in August.

A/12/12 **Minutes**

### RESOLVED

**that the minutes of the meeting of the Audit Committee held on 25 June 2012 be confirmed and signed by the Chairman as a correct record.**

A/12/13 **Members' Interests**

Member	Item	Nature of Interest	Present or Absent during discussion
Cllr D J Lawrence	9	Is member of Bedford Borough Council's Pension Fund Panel (which acts on behalf of Central Bedfordshire Council's pension fund).	Present

A/12/14 **Chairman's Announcements and Communications**

The Chairman welcomed Councillor Costin to his first meeting as a member of the Audit Committee. The Chairman also welcomed Mr Gould to the meeting as the Council's new Head of Financial Control.

A/12/15 **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/12/16 **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/12/17 **Annual Governance Report 2011/12**

The Committee received the Audit Commission's Annual Governance Report for 2011/12. The report summarised the findings from the 2011/12 audit and included the messages arising from the Commission's audit of the Council's financial statements together with the results of the work undertaken to assess the Council's arrangements to secure value for money in the use of its resources.

The District Auditor (Audit Commission) worked through the report, drawing Members' attention to various points as he did so. Under Key Messages, and with regard to the financial statements, he stated that he expected to issue an unqualified audit opinion by 30 September 2012. He commented on the helpful and quick manner of Central Bedfordshire officers in responding to queries and to the good quality of the working papers supplied, all of which had contributed

to the audit being delivered in a timely way. The meeting noted that the officers had agreed to amend the accounts with regard to all but two of the errors identified during the audit.

Under Table 2 of the report headed 'Risks and Findings', and with specific reference to the risk and finding relating to schools, a Member sought the Audit Commission's view on the Council's practice of including voluntary controlled school buildings in its balance sheet at nil value on the basis that they were owned by the Diocese. In response the District Auditor stated that the Commission had accepted the Council's position though it would expect the Council to review its stance in the light of any relevant changes to CIPFA's Accounting Code of Practice. He also commented on the possibility that Ernst & Young, as the Council's new external auditor, could take its own view on this matter.

Moving next to the risk and associated finding relating to Section 106 Agreements the District Auditor referred to an issue raised with him claiming that Central Bedfordshire Council had spent section 106 monies on an unadopted road. He stated that, whilst the relevant documents confirming the adoption of the road by the legacy authority, Bedfordshire County Council, could not be found, those for the adoption of the adjacent footpath had been. The District Auditor had decided that it was therefore reasonable to assume that the County Council had adopted the road and this stance reflected a legal 'presumption of regularity' in that it was presumed that, in certain circumstances, a public authority had acted lawfully unless it could be shown that it had not. On the basis that there was no evidence that the County Council had not adopted the road and some evidence to suggest it had he had determined that the money spent on the road by Central Bedfordshire Council had been spent lawfully.

Turning to the qualitative aspects of the Council's accounting practices set out under 'Other Matters' the District Auditor drew the Committee's attention to the work undertaken by both Central Bedfordshire and Bedford Borough Councils on resolving the differences on the balances for debtors and creditors between the two authorities. The meeting noted that the debtor balance between in the Central Bedfordshire Council financial statements with Bedford Borough Council had been agreed and that there was a difference of less than £100,000 on the creditor balance that Central Bedfordshire Council had with Bedford Borough Council.

The meeting expressed its appreciation of the efforts made by the officers in preparing the financial statements.

## **NOTED**

- 1 the Audit Commission's Annual Governance Report on its findings on Central Bedfordshire's audit for 2011/12 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 3 to the Annual Governance Report.

## **RESOLVED**

- 1 that the District Auditor's recommendations within the Annual Governance Report, as set out at Appendix 6 (Action Plan), be approved and adopted;
- 2 that, in recognition of the work undertaken by the officers in the preparation of the financial statements, the Audit Committee formally records its appreciation of their efforts;
- 3 that, in recognition of the work undertaken by the officers in connection with the Pension Fund Panel, the Audit Committee formally records its appreciation of their efforts;
- 4 that, further to resolutions 2 and 3 above, the Executive Member for Corporate Services be requested to formally thank the officers for their efforts at the next meeting of the Executive.

A/12/18

### **Audit Committee Update**

The Committee received a report from the Audit Commission on a number of issues including:

- Progress on financial statements, the VFM conclusion and other areas of work
- An update on outsourcing the work of the Audit Practice
- An update on the residual Audit Commission
- Key considerations
- A response to key considerations from the June Audit Committee Update

The Audit Manager (Audit Commission) drew Members' attention to the recent report by the Audit Commission which summarised the results of its certification work in 2010/11. She referred to the high national levels of amendments and qualification letters for the housing and council tax benefit subsidy scheme and that, for the 2010/11 subsidy schemes, 72% of claims were amended and 73% of local authorities had received qualification letters, including Central Bedfordshire. The Audit Manager stated that the DWP had advised the Audit Commission of the additional work required as a result of the qualification letter for Central Bedfordshire and discussions on this matter were taking place with the Council's officers. She explained that the aim was to finish the work by the end of November 2012 before the transfer of Audit Commission staff to Ernst & Young took place.

In response to a Member's concern regarding the above both the Audit Manager and Chief Finance Officer outlined the methodology followed by the DWP. The meeting noted how the errors found in a relatively small number of

test claims were extrapolated across the population in general and which gave rise to the high percentage figure reported. The Chief Finance Officer stressed that the Council processed 16,000 applications annually but this did mean that all of them contained the same, if any, errors. He also referred to the 91% increase in workload over a two year period and the increase in proportion of self employed persons submitting claims which, by their nature, were more complex.

In conclusion both the District Auditor (Audit Commission) and the Chief Financial Officer expressed frustration at the major delay experienced before the DWP responded to the returns submitted by the Audit Commission and required any follow up work to be completed within a relatively short space of time when other tasks required attention.

With reference to an issue referred to under 'Key Considerations' the Executive Member for Corporate Resources advised the Committee that the Council had responded to the Government's consultation on the draft Local Audit Bill.

## **NOTED**

### **the Audit Commission's Audit Committee update.**

A/12/19

### **2011/12 Statement of Accounts**

The Committee considered a report by the Chief Finance Officer which presented the 2011/12 Statement of Accounts for approval. In addition approval was sought for the draft letter of representation to the Audit Commission, which dealt with the financial statements and governance arrangements.

A copy of the annual accounts was attached at Appendix A to the report and a copy of the draft letter of representation at Appendix B.

Members were reminded that the certified version of the accounts had been presented to the Audit Committee on 25 June 2012 (minute A/12/6 refers) for note. Public inspection of the accounts had followed and this had concluded on 3 August 2012. External audit validation had been undertaken from July to September and the Audit Commission's Annual Governance Report (minute A/12/17 above refers) outlined any major adjustments to the original version of the accounts.

## **RESOLVED**

- 1 that the 2011/12 Statement of Accounts for Central Bedfordshire Council, as set out at Appendix A to the report of the Chief Finance Officer, be approved;**
- 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.**

A/12/20 **Internal Audit Progress Report**

The Committee considered a report by the Chief Finance Officer which provided a progress update on the status of Internal Audit work for 2012/13 up to 31 August 2012.

The report set out progress on the following matters:

a) Updated Annual Audit Plan

b) 2012/13 Internal Audit Plan including:

- Managed Audits
- Other audit work
- National Fraud Initiative (NFI)
- Fraud and special investigations
- Schools
- Public sector internal audit standards
- Performance management

A Member referred to the need to determine the ownership of certain assets in Biggleswade, which had previously been the responsibility of the former Biggleswade Rural District Council, before the further delegation of responsibilities to the current Biggleswade Joint Committee. Discussion took place on the way forward on this matter given the length of time which had passed following the demise of the Rural District Council in 1974 and that Central Bedfordshire Council, on its formation in 2009, had inherited all the known rights and liabilities of Mid Bedfordshire District Council as the relevant legacy authority. The District Auditor (Audit Commission) stated that he was unaware of any specific dispute regarding property ownership or of any outstanding litigation. Given the absence of further information the Head of Legal and Democratic Services undertook to further investigate the Member's comments outside the meeting.

**RESOLVED**

**that the proposed revisions to the 2012/13 Annual Audit Plan, as set out in the report of the Chief Finance Officer, be approved.**

**NOTED**

**the progress made against the 2012/13 Internal Audit Plan.**

A/12/21 **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 August 2012.

For Members' benefit the Head of Internal Audit and Risk highlighted changes in the position of both strategic and operational risks and the introduction of a

new strategic risk relating to the failure to deliver effective and cohesive Health and Social Care to local residents (STR0019).

The meeting was advised that a new strategic risk on Protecting Vulnerable Adults was being developed and would be included in the report to the next meeting of the Committee.

#### **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/12/22

#### **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. The Chief Finance Officer's report also outlined how the recommendations would be monitored and the progress made in implementing them as at the end of August 2012.

The Head of Internal Audit and Risk drew Members' attention to there being only seven recommendations in total that were amber (ongoing with deadline missed) and that two of these had added since the Committee's meeting on 2 April 2012. She stated that the falling number of high priority recommendations being made reflected the embedding of controls within the key financial systems as the Authority had developed.

With regard to Recommendation R4, and the development and approval of a Disaster Recovery Plan, the Chairman reported that he had met with the ICT Head of Service during the previous week and the Committee was advised of the discussion which had taken place with particular reference to upgrading the Council's IT server infrastructure. Arising from this the Chairman expressed satisfaction at the progress being made. Members noted that SunGard Capita had been commissioned to put a fully resilient Disaster Recovery Plan in place by 31 October 2012.

At Members' request a copy of the Chairman's note of the information arising from his meeting with the ICT Head of Service is attached at Appendix A to these minutes.

A Member commented on the difficulty he had experienced in connecting the topics detailed in the current report with the corresponding items in the Chief Finance Officer's Risk Update Report (minute A/12/21 above refers) and asked that links be provided in future.

In response to a query on the absence of any reference to cost in the report the Executive Member for Corporate Resources reminded Members that this would be included in the Capital Programme; further, in the context of the report, it was the Committee's task to examine risk not cost.

**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 2012.**

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.55 a.m.)

Chairman .....

Dated .....



### **Disaster Recovery Plan – Briefing with Head of ICT**

The Chairman of the Audit Committee met with Matt Scott, the Head of ICT, on 20 September 2012 to be briefed on the position with regard to disaster recovery.

At the briefing the Chairman was informed that Central Bedfordshire had an ICT architecture that was designed to provide high levels of resilience and reduce the impact of any significant technology failures. However, due to problems with the Storage Area Network (SAN) this architecture did not provide a sufficient level of disaster recovery capability. Work was therefore underway to replace the SAN and, once in place, the strategic Disaster Recovery Plan would be developed around the new architecture. It was anticipated that the SAN replacement work would be completed by March 2013.

The Head of ICT had emphasised, however, that even with the current SAN issues, the implementation of targeted resilience measures provided adequate disaster recovery capability for the Council's email and calendar system and the Social Care Case Management Systems. In addition the Council had a support contract with SunGard Capita to provide an emergency server environment from which to restore and recover systems should a data centre be lost.

Last, the Chairman was advised that SunGard Capita had been engaged to help the Council to develop measures and an associated Disaster Recovery Plan whilst the SAN solution was being implemented. The target date for the delivery of the interim Disaster Recovery Plan was 31 October 2012. In addition to the Plan a series of component disaster recovery tests would be carried out to prove the methodology and capability and determine actual recovery times.

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