

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Chicksands, Shefford on Monday, 7 January 2013

PRESENT

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

Cllrs Mrs D B Green
D J Lawrence

Cllrs A Zerny

Apologies for Absence: Cllr N B Costin

Substitutes: Cllr R D Berry (In place of N B Costin)

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 N Visram Financial Controller
Mr C Warboys Chief Finance Officer and Section
151 Officer

Others In Attendance: Mrs C O'Carroll Manager – Ernst & Young LLP
Mr M West Director – Ernst & Young LLP

A/12/23 **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 24 September 2012 be confirmed and signed by the Chairman as a correct record.

(Note: Appendix A to the minutes was circulated at the meeting).

A/12/24 **Members' Interests**

None.

A/12/25 **Chairman's Announcements and Communications**

The Chairman wished Members and officers a happy New Year and said that he looked forward to working with everyone.

A/12/26 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/12/27 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/12/28 Annual Certification Report (2011/12)

The Chairman welcomed Mick West, a Director at Ernst & Young LLP, to his first meeting of the Committee. Mr West introduced himself to Members and provided an outline of his background in public sector audit.

The Committee received the annual certification report from Ernst & Young LLP, the Council's new external auditors. The report, which was introduced by the Ernst & Young Manager present, summarised the results of the certification work undertaken by Audit Commission staff (until 31 October 2012) and Ernst & Young (completing the work on the Housing Benefit and Council Tax claim) at Central Bedfordshire Council on the 2011/12 claims and returns.

With regard to the benefits claim element the Manager commented that whilst the number of errors found had fallen the testing carried out by both the external auditors and Central Bedfordshire benefits staff had continued to find a large number of errors in the classification of overpayments and cases where benefit had been assessed incorrectly. She reminded the meeting that the volume of errors had a significant impact in terms of both the potential 'claw back' by the DWP and the service provided to claimants.

In response to a query from the Vice-Chairman the Manager explained that the majority of local authorities had qualification letters issued against them due to errors discovered during certification work. However, the number of errors found at Central Bedfordshire was higher than was the norm. At the request of the Chairman the Manager undertook to establish the level of such errors at other newly formed unitary authorities so that a comparison could be made.

NOTED

the annual certification report 2011/12.

A/12/29 Annual Audit Fee 2012/13

The Committee received the annual audit fee letter for the 2012/13 financial year from Ernst & Young LLP. The letter, which was introduced by the Ernst

& Young Director present, confirmed the work the company proposed to undertake for the 2012/13 financial year at Central Bedfordshire Council. The letter also advised that the fee for the company's work had been set by the Audit Commission as part of the recent five year procurement exercise. Further, it was not liable to increase within that period unless a change in the scope of the audit took place.

NOTED

the annual audit fee letter for 2012/13.

A/12/30

Audit Committee Briefing

The Committee received the first audit committee briefing produced by Ernst & Young LLP. The briefing reported on issues which, it was felt, could have an impact on the company's client audit committees, the wider public sector and the audits undertaken by the company. The Ernst & Young Manager present introduced the briefing and highlighted matters for Members' consideration.

A Member used the opportunity to refer to the risk which could arise from the bankruptcy of an academy. Specific reference was made to teacher pensions and the expectation that responsibility for their payment would be transferred back to the Council. In response the Chief Finance Officer stated that the risk was recognised but difficult to quantify. Should the situation arise, however, the Council could make use of its reserves to make up for any shortfall.

NOTED

the Ernst & Young audit committee briefing.

A/12/31

2011/12 Annual Audit Letter

The Committee considered a report by the Chief Finance Officer which presented the 2011/12 Annual Audit Letter for Central Bedfordshire Council. The letter summarised the 2011/12 audit of the Council by the Audit Commission following approval of the more detailed Annual Governance Report by the Committee at its meeting on 24 September 2012 (minute A/12/17 refers).

The meeting was aware that the Annual Audit Letter had previously been circulated to all Council Members.

RESOLVED

that the 2011/12 Annual Audit Letter be published on the Council's website.

A/12/32

Final Accounts Process 2012/13

The Committee considered a report by the Chief Finance Officer which set out key changes in the account statements and processes.

The meeting noted the various updates and clarifications set out within the 2012/13 CIPFA Code of Practice, including the incorporation of changes originally made in the Accounts and Audit Regulations 2011. It was further noted that, in comparison to recent years, the overall changes in the Code were minimal and would not require any material restatements in the accounts.

The meeting was reminded that the Regulations had removed the requirement for the unaudited Statement of Accounts to be approved by the Audit Committee by 30 June each year. Instead the Chief Finance Officer was required to certify the unaudited Statement of Accounts by that date. It was noted that the need for formal Audit Committee approval had been removed to allow councils to have more time to prepare their statements and carry out scrutiny prior to the audit process. The requirement for the Chief Finance Officer to sign off the audited accounts and for the Audit Committee to approve them before 30 September each year remained.

The meeting was reminded that in 2011/12 the practice of submitting the unaudited accounts to the Audit Committee was retained at Central Bedfordshire where the accounts were noted but not formally approved. The changes to the Regulations and CIPFA Code meant that the Council could employ techniques to enhance scrutiny at this stage and engage Members in a way that would be more useful and interesting. On this basis the Chief Finance Officer suggested that a presentation, separate from the June meeting of the Committee and open to all Members, be held at the end of June. This would enhance wider scrutiny and understanding of the accounting statements by Members and enable a full explanation of the technical statements to be provided together with a focus on the most important messages within the accounts. Members would also be able to ask questions. In addition this approach would maximise the amount of time in June for officers to concentrate on quality assurance work, thus minimising the possibility of revisions being required during the external audit progress. Whilst welcoming the proposed presentation Members felt that it should be made at the June meeting of the Committee to which all Members of the Council should be invited to attend.

NOTED

the key changes in the accounts statements and processes arising from the Accounts and Audit Regulations 2011 and the 2012/13 CIPFA Code of Practice.

RESOLVED

- 1 that an interactive presentation, as an alternative method of presenting the unaudited accounts, be made at the meeting of the Audit Committee in June 2013;**

- 2 that all Members of the Council be invited to attend the presentation.**

A/12/33

Approach to the Development of 2013-2016 Strategic Audit Plan

The Committee considered a report by the Chief Finance Officer which outlined the proposed approach to the development of the 2013-16 Strategic Audit Plan.

The meeting noted that 2012-13 represented the final year of the existing Three Year Plan and so it was timely to consider the approach to be taken in the development of a new Strategic Audit Plan. In developing the Plan it was proposed to undertake 'assurance mapping' which was defined as a means of reviewing each key risk and mapping audit coverage against any other available sources of assurance such as independent external reviews. Where other sources of assurance exist it might be possible to rely on those and to reduce or eliminate further internal audit work. The aim was to ensure that there was a comprehensive risk and assurance process with no duplicated effort or potential gaps

It was noted that the proposed methodology for the development of the Plan had been discussed with the external audit Manager who was supportive of the approach. The Council's senior management had also given their support. The intention was to produce a draft Strategic Plan for initial consideration by managers and then submit the finalised Plan to the Audit Committee for consideration in April 2013.

RESOLVED

that the proposed approach for the development of the 2013-16 Strategic Audit Plan be endorsed.

A/12/34

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 the end of November 2012.

The report set out progress on the following matters:

- a) Updated Audit Plan
- b) Progress on the 2012/13 Internal Audit Plan including:
 - Managed Audits
 - Other Audit Work
 - National Fraud Initiative (NFI)
 - Fraud and Special Investigations
 - Schools
 - Performance Management

In connection with the rolling programme of school audit visits the Head of Internal Audit and Risk commented on the residual risk generated by schools given that so many had become Academies.

NOTED

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

RESOLVED

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

A/12/35

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 November 2012.

The Head of Internal Audit and Risk drew Members' attention to changes to the strategic risks following a review and update of the Strategic Risk Register carried out in consultation with the Directorate Risk Co-ordinators. The meeting noted that in most cases the risk scores had not changed and the majority of the revisions related to either the description of the risk or the update of the mitigating actions.

Members noted that there had been no changes to the operational risks. It was also noted that work was planned in the New Year to further develop the People and Organisation operational risk registers.

A Member sought the attendance of the Council's Head of ICT at the next meeting of the Audit Committee so that he could report on the outcome of the development of the IT Disaster Recovery Plan. In response the Executive Member for Corporate Resources explained that it would be more suitable for this issue to be reviewed at the April meeting of the Corporate Resources Overview and Scrutiny Committee following the introduction of the Plan in March. Members concurred with this approach.

The Executive Member used the opportunity to advise Members that, as part of the effort to improve ICT resilience, the Council's data centre at Borough Hall in Bedford had been relocated to a new facility.

The Chairman suggested that a short report be submitted to the next Audit Committee to update Members on the progress made in developing the Disaster Recovery Plan.

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.

RESOLVED

that a short report be submitted to the next Audit Committee on the progress made in developing the Disaster Recovery Plan.

A/12/36

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 report also outlined how the recommendations would be monitored and progress made in implementing them as at the end of November 2012.

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 November 2012.

(Note: The meeting commenced at 10.00 a.m. and concluded at 10.55 a.m.)

Chairman

Dated