

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Council Chamber, Priory House, Monks Walk, Shefford on Monday, 19 November 2018

PRESENT

Cllr M C Blair (Chairman)
Cllr D J Lawrence (Vice-Chairman)

Cllrs N B Costin
P Downing
R Morris

Cllrs D Shelvey
A Zerny

Members in Attendance: Cllrs K M Collins
F Firth
Mrs S A Goodchild
Mrs J G Lawrence
M A G Versallion

Officers in Attendance: Mr D Galvin Assistant Director of Finance
Mr C Horne Head of Internal Audit and Risk
Mr L Manning Committee Services Officer
Mr C Rushworth Legal Services Business Manager
Mr C Warboys Director of Resources

Others In Attendance: Ms C Ryan Manager – Ernst & Young LLP

AUD/18/15 Minutes

RESOLVED

that the minutes of the meeting of the Audit Committee held on 30 July 2018 be confirmed and signed by the Chairman as a correct record.

AUD/18/16 Members' Interests

None.

AUD/18/17 Chairman's Announcements and Communications

The Chairman asked Members to silence their mobile telephones. He then welcomed those Members attending the meeting in order to see the presentation on LGSS Law.

The Chairman advised that he had recently been appointed to the Bedfordshire Pension Board and had attended the 'Boarder to Coast' conference in that capacity.

AUD/18/18 Petitions

No petitions were received from members of the public in accordance with the Public Participation Procedure set out in Part 4G of the Constitution.

AUD/18/19 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 Part 4G of the Constitution.

AUD/18/20 Annual Audit Letter for the Year Ended 31 March 2018

The Committee considered a report from Ernst & Young LLP which presented the Annual Audit Letter for the year ended 31 March 2018. The letter set out the key issues arising from the company's work as the Council's external auditor.

The Ernst & Young Manager advised of an error on page 15 of the Letter. Under planning materiality she stated that '75% of gross revenue expenditure' should read a '2% of gross revenue expenditure'. She then thanked the Council's officers for their assistance.

RECEIVED

the 2017/18 Annual Audit Letter.

AUD/18/21 Presentation on LGSS Law Ltd

The Committee received a presentation on LGSS Law Ltd. The presentation summarised the service improvements being implemented and the progress made against the Service Improvement Plan (SIP). The Director of Resources introduced the presentation following which he, assisted by the Legal Services Business Manager, responded to a range of comments and questions raised by Members relating to the company. Amongst the topics covered were the following:

- The use of locums or interim staff for infrequent work of a highly specialist nature and its relatively low cost to the Council.
- The action taken to improve the completion of client satisfaction surveys by staff, the wider value to the Council of the surveys, ways of achieving a more accurate feedback and the suggested viewing of the survey responses by the Committee.

- The suggested seeking of Members' views of their experience of using the company.
- Employee turnover, the possible reasons for the 'churn' and the measures taken to mitigate against the impact.
- The monitoring of the company's financial position with especial reference to the financial circumstances of other council shareholders, the level of related risk and any action being taken to reduce this.
- The purpose of the recruitment drive as a means of reviewing employee skillsets, both current and required for the long term on a permanent basis, rather than a means to fill vacancies.
- Value for money, the reasons for any overspend, the current overspend figure and the largest source of the substantial reduction in the overspend which had taken place in the current financial year.
- The time taken to process children's social care cases by the company and the reasons why any cases took longer than the national average.

The Chairman commented that progress had been made and processes were being put in place to ensure it continued. He thanked the Director for his presentation and the Business Manager for his support. The Chairman stated that he did not think a further update was required by the Committee at its next meeting as he felt matters should be allowed to work through. Unless, therefore, any issues arose he favoured a break of six months before the next update was submitted.

NOTED

the presentation on LGSS Law Ltd.

RESOLVED

that the next LGSS update presentation take place at the meeting of the Audit Committee on 29 May 2019 unless required earlier.

THE COMMITTEE ADJOURNED AT 11.25 A.M. AND RECONVENED AT 11.29 A.M.

AUD/18/22 Revisions to Internal Audit Charter

The Committee considered a report setting out proposed revisions to the Internal Audit Charter in compliance with the Public Sector Internal Audit Standards (PSIAS) applied in the United Kingdom. The proposed revisions were included and highlighted in the copy of the Charter attached at Appendix A to the report.

Points and comments included:

- The PSIAS had last been revised in April 2017 and one area of significant change was the introduction of standard 1112 'Chief Audit Executive Roles beyond Internal Auditing'.
- If the Head of Internal Audit and Risk (referred to as the 'Chief Audit Executive' in the PSIAS) took on roles or responsibilities that fell outside

internal auditing then safeguards were required to limit any impairments to the officer's independence or objectivity.

- The Head of Internal Audit and Risk was required to highlight any actual or perceived impairments to the Audit Committee (referred to as 'the Board' in the PSIAS) and consider the safeguards required to protect internal audit independence.
- Whilst the Council's Head of Internal Audit and Risk had responsibility for the facilitation of risk management activities and for the Anti-Fraud and Corruption Strategy he had no operational involvement in either. Further, and to supplement the existing safeguards, external auditors would undertake the internal audit of the risk management arrangements within the Council.
- It was noted that in paragraph 8.2 of the Charter that the term 'Substantial' had replaced 'Full' as one of the four assurance provisions because Full was a difficult standard to achieve.

RESOLVED

- 1 that the proposed revisions to the Internal Audit Charter, as highlighted in Appendix A to the report of the Director of Resources, be endorsed;**
- 2 that the end of paragraph 4.7 be amended by deleting 'Engagement Protocol (previously known as the Internal Audit Charter)' and inserting 'Charter'.**

AUD/18/23 Risk Update Report

The Committee considered a report which provided an overview of the Council's risk position as at October 2018.

Points and comments included:

- At Appendix B to the report some strategic risks had been updated with further detail regarding 'Mitigating Actions Already Underway' and 'Further Action Planned'. There were no significant changes with regard to the scoring of those risks.
- With regard to operational risks, Appendix C represented the first iteration of a revised risk reporting process based on the priority risks arising from Directorate registers.
- A Member commented that the top three strategic risks had held this position for over a year and asked if this risk level could have been expected to fall as a result of the mitigation measures being taken. The Head of Internal Audit and Risk responded that a significant review of strategic risk was planned for early January 2019 and he expected relevant information to come forward at that point.
- The possibility of the relevant Scrutiny Committees being requested to seek information from Directors on what mitigation measures they were taking was suggested. The Chairman reminded the meeting that the Audit Committee could ask officers to attend and answer questions. The

Director of Resources stated that the Audit Committee was responsible for the Risk Management function. Whilst a particular risk could be referred to a Scrutiny Committee he felt that asking a Director to attend the Audit Committee was a better way forward if an issue such as mitigation was not being addressed. He added that the January review should address Members' concerns but, if it did not, then the Committee could request a Director's attendance. Members concurred with this approach.

- The Vice-Chairman referred to the risk, which was not referred to in the report, that the utility companies would be unable to supply essential services required under the Council's regeneration programme and the detrimental impact this would have. He queried whether this issue had been investigated. The Chairman indicated that this point should be referred to the Council's Regeneration team. A Member commented that the Committee's earlier discussion above on the calling of a Director to attend the Committee was also applicable in this situation.

NOTED

Central Bedfordshire Council's risk position as at October 2018.

AUD/18/24 Internal Audit Progress Report

The Committee considered a report outlining the progress made on Internal Audit work against the Internal Audit Plan for 2018/19 up to 26 October 2018.

Points and comments included:

- The Limited Assurance outcome arising from the audit on School Transport had arisen because at least 3-4 administrative areas required improvement. The Chairman commented that the issues relating to school transport provision did not appear to be solely the result of external market forces.
- Members were aware of issues regarding school transport provision in their own areas and welcomed the work that was being undertaken on this matter.
- Audit Plan preparation involved engagement with a wide range of stakeholders. There were some areas where the Audit team were being asked for input and priority was assigned to the work. Given workload pressures it was probable that some of the Audit Titles (projects) ranked as Low on the list in Appendix A to the officer's report would not be delivered. Given this response the Chairman expressed the hope that a 'triage' policy would not be adopted as was found in some other public services.

NOTED

the progress made against the 2018/19 Internal Audit Plan.

AUD/18/25.Work Programme

Members considered a report which set out the Committee's work programme for the remainder of the 2018/19 municipal year.

The Chairman explained that an attempt had been made to not only schedule the Committee's meetings in response to the new national auditing system but to match the work programme content to meet its demands. In addition the work programme had also attempted to ensure that the Committee received regular reports on various audit related issues so that Members could consider whether the related strategies and policies were functioning correctly.

The Chairman reminded Members to suggest that the Committee occasionally call on officers to report to it on issues that were not scheduled in the work programme. He viewed this as the Committee's duty.

RESOLVED

that the proposed Audit Committee work programme for the remainder of the 2018/19 municipal year, as set out at Appendix A to the report of the Committee Services Officer, be approved.

(Note: The meeting commenced at 10.08 a.m. and concluded at 11.47 a.m..)

Chairman

Dated