

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15 Priory House, Monks Walk, Shefford on Monday, 21 September 2009

PRESENT

Cllr D J Lawrence (Chairman)
Cllr R A Baker (Vice-Chairman)

Cllrs Mrs A Barker
D Bowater

Cllrs T Green
P Snelling

Apologies for Absence: Cllr A Shadbolt

Others In Attendance: Ms D Hanson Audit Commission
Mr A Kendrick Audit Commission
Mrs C O'Carroll Audit Commission

A/09/36 **Minutes**

RESOLVED

that the Minutes of the meeting of the Audit Committee held on 27 July 2009 be confirmed and signed by the Chairman as a correct record.

A request was made that a note be brought to the next full meeting of the Committee to confirm the process followed for any amendments noted to Minutes.

A/09/37 **Update from the Audit Commission**

At the meeting of the Audit Committee held on 27 July 2009, it was noted that the Audit Commission had planned to audit the draft accounts during August and September and report their findings, if possible, at the September meeting. The Audit Commission had largely completed their audits of the Bedfordshire County Council Pension Fund and Mid Beds District and Bedfordshire Council Councils' draft accounts, and were in a position to report draft Annual Governance Reports to the Committee in respect of these.

The Audit Commission reported that the audit of South Beds District Council was a little further behind. They attributed this to staff reductions relating to Reorganisation, and the inherent complexities associated with capital accounting in housing authorities. South Beds District Council was the only one of the legacy authorities which had a housing stock.

Bedfordshire County Council Pension Fund

The Audit Commission had reviewed the Bedfordshire County Council Pension Fund and their findings were due to be presented to the Pension Panel that afternoon. There had been no problems or concerns raised as a result of the review. It was noted that the Audit Commission were required to highlight any issues which exceeded their 1% materiality figure. This figure had been a higher percentage in past years. It was noted that a difference in the investment fee charged by the fund managers versus the estimate had resulted in a discrepancy of £82k. This figure was not material but had to be mentioned because of the change in percentage of the materiality figure.

Assurance had been given to the Commission that the monthly returns with contributions listed were correct.

Members noted a number of matters which had occurred because the last year had not been a normal year due to the Local Government Reorganisation. The Risk Register had not been reviewed since May 2008 until now. An explanation was given as to why it had not been possible to review it in May 2009.

The Committee and the Director of Corporate Resources requested minor amendments be made to the letter of representation due to the unique circumstances surrounding the last year. The Audit Commission confirmed they would be happy to discuss the wording with the Director of Corporate Resources outside of the meeting.

Bedfordshire County Council

The Audit Commission had reviewed the Bedfordshire County Council draft accounts and their findings were still to be finalised. A question had arisen in relation to the impairment factor that Mouchel had used to calculate the decrease in value on fixed assets in schools. Mouchel had used a percentage of 50% whilst the Audit Commission had used a percentage of 35%. This had created a difference of £66m. Mouchel had been requested to provide clarification on how they had decided on a 50% decrease percentage. The information was due to the Audit Commissions valuers by the end of the week. It was noted that as for the Pension Fund, the Audit Commission were required to highlight any issues which exceeded their 1% materiality figure.

The Audit Commission confirmed that Bedfordshire County Council had adequate internal controls in place. Whilst the Use of Resources had not been scored a Value for Money statement would nonetheless be issued. It was noted that the Value for Money statement would follow after the conclusion of the audit, which the Audit Commission anticipated would be by 30 September 2009. It was noted that due to the circumstances an additional fee would be charged.

Members noted that there was a reference to the Area Based Grant which should have been shown separately. This would be amended but it did not affect the bottom line balances.

The letter of representation had taken into account Local Government Review and changes of staff and recognised that response times had been affected. The Local Government Review costs had been included in the appropriate areas. Members' allowances and officer remuneration had changed significantly but it was recognised that these were due to Local Government Review. It was agreed that a note would be added to the relevant area.

The Director of Corporate Resources confirmed that the Data Quality process was being completely reviewed.

Members considered authorising the Chairman after consultation with the Director of Corporate Resources and the Assistant Director Financial Services, to approve any additional minor changes to allow the accounts to be signed off by 30 September 2009 if possible.

Mid Beds District Council

The Audit Commission had reviewed the Mid Beds District Council draft accounts and their draft findings indicated that an unqualified opinion would be issued. There had been no significant problems or concerns raised as a result of the review. As before, it was noted that the Audit Commission were required to highlight any issues which exceeded their 1% materiality figure.

Members were advised that there had been a query on a difference of £80k between the Statement of Total Recognised Gains or Losses and the movement in net worth on the balance sheet. This was still being investigated by officers.

Members noted that in respect of MBDC, no extra fee would be charged. It was recommended that delegated authority be given to the Chairman after consultation with the Director of Corporate Resources and the Assistant Director Financial Services to agree any minor amendments to the Statement of Accounts.

It was noted that sample testing had raised several items which had been listed as capital but should have been revenue. They were not material in value and officers had indicated that they would not be amended in the accounts. The reason for not amending would need to be communicated in the Letter of Representation.

In response to a Member's question, the Audit Commission confirmed that the overall materiality limit under which errors did not need to be adjusted was £1m.

It was agreed that Note 2 detailed in the submitted report would be incorporated into Note 1 for Table 2 of the balance sheet – assets under construction.

Regarding signing the Letter of Representation, the Director of Corporate Resources clarified for the Committee that his personal responsibility for the District Council accounts was more remote than in normal circumstances, but was still closer than in respect of the Pension Fund Accounts, where Central Bedfordshire was responsible for closure of the accounts but was not the pensions administering authority.

RESOLVED

- 1. that the Chairman be authorised, after consultation with the Director of Corporate Resources and the Assistant Director Financial Services to make minor changes to the Bedfordshire County Council Statement of Accounts to be signed off by 30 September 2009 if possible.**
- 2. that the Chairman be authorised, after consultation with the Director of Corporate Resources and the Assistant Director Financial Services be delegated authority to make minor amendments to Mid Bedfordshire District Council Statement of Accounts to be signed off by 30 September 2009 if possible.**

A/09/38

Chairman's Announcements

The Chairman informed the Committee that he would be varying the order of the items of business to consider next the Audit Needs Assessment – Progress Report in advance of the 2009 -10 Audit Plan.

A/09/39

Audit Needs Assessment - Progress Report

The Committee received and considered the report of the Director of Corporate Resources which outlined the approach adopted for undertaking the Audit Needs Assessment for Central Bedfordshire in order to develop a Three Year Strategic Audit Plan for future years. The Audit Committee at their meeting held in April 2009 had outlined the approach they wished to be used. The Head of Audit confirmed that approximately 200 entities had been evaluated and that the service area risk registers were still outstanding.

The Head of Audit provided Members with two examples of completed risk assessment sheets, one was for Housing and Council Tax Benefits and one for Payroll Managed Audit. The information was currently being loaded onto a database (Galileo) which provided the potential to sort data using a number of criteria. Housing and Council Tax Benefits was scoring higher than normal due to the Local Government Review (LGR) and new systems being used. It was anticipated that less audit resources would be required in future years for some areas once the initial system changes had bedded in.

The Committee noted that the Three Year Strategic Plan would include a rolling programme of work on the following:

- Core systems (managed audits)
- Systems reviews of service areas, processes and activities (including governance arrangements)
- Reviews of key contracts and partnership arrangements to ensure compliance with the Council's Financial Procedures, Codes of Practice and Contract Procedures.
- Information Communication and Technology activities across the whole council
- Pro-active Fraud work, including investigations
- Sustainability and Climate Change
- Follow up work to ensure implementation of the Internal Audit recommendations.

The above work had highlighted the following four themes as risk areas:

- Fundamental systems, including Payroll and Cash and Banking (income)
- Contract Issues, including specifications, management and monitoring arrangements
- Partnership arrangements
- Commissioning

The Committee congratulated the Audit Team for their excellent work to date.

RESOLVED

that the progress made to date as indicated in the Audit Needs Assessment Progress Report of the Director of Corporate Resources, be noted.

A/09/40

2009-10 Audit Plan

The Committee received and considered the report of the Director of Corporate Resources which outlined the approach adopted for creating the audit plan for Central Bedfordshire for 2009/10, and outlined work undertaken to date.

The Assistant Director of Audit and Risk informed the Committee that the Audit Plan was built on the Audit Needs Assessment. A brief overview of the work to date highlighted that three teams had been brought together, new software was being used, and all of the audit teams were being relocated to Bedford. These factors had all impacted on the amount of resource which was available in the first year of Central Bedfordshire Council. There would be 63% productive Audit days. In future years it was anticipated that this would increase to between 75 – 80% productive Audit days.

Appendix A of the report showed the areas which would be covered by the Managed Audits. The Committee noted that updates of all the work undertaken throughout the year would be brought to future meetings.

It was noted that the first performance management report would be presented to the committee in January and it was recognised that the Audit Plan had to be flexible.

In response to a question from Members it was noted that the Audit staff were considerably fewer than originally employed by from the three legacy authorities but to cover our statutory duties, if more resources were needed to carry out the plan then this would be reviewed.

RESOLVED

- 1. that the 2009/10 Audit Plan as detailed in the report of the Director of Corporate Resources be approved;***
- 2. that the progress made to date as detailed in the report of the Director of Corporate Resources be noted.***

A/09/41

Work Programme

The Assistant Director Audit and Risk informed the Committee that the next meeting would be the special Audit Committee Meeting to deal with the signing off of the three legacy authorities accounts.

RESOLVED

that the future work programme including for the special meeting as described above be approved.

A/09/42

Special Audit Committee Meeting

The Committee were informed by the Audit Commission that the proposed date for the Special Audit Committee meeting (19 October 2009) would need to be changed due to a scheduling conflict. It was agreed that the Democratic Services Officer would liaise with the Chairman, Officers and the Audit Commission to arrange a suitable alternative. The Committee would be notified as soon as the date was known.

It was noted that at the Council meeting to be held on 24 September 2009, that changes might be made to the composition of the Committee resulting in the removal of Cllr D Bowater, Cllr Mrs A Barker and Cllr Mrs C Turner from the Committee due to a conflict of interest because of their membership of another committee. If this was the case, substitutes would be asked to attend the special Audit meeting if replacements had not been appointed by then.

(Note: The meeting commenced at 9.30 a.m. and concluded at 11.30 a.m.)