

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Wednesday, 27 January 2010

PRESENT

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

Cllrs T Green
A Shadbolt

Cllrs B J Spurr

Apologies for Absence: Cllrs Mrs A Barker
P Snelling

Officers in Attendance: Mr J Atkinson Head of Legal Services
Mrs M Clampitt Democratic Services Officer
Ms S Cousins Health & Safety Manager
Mr C Heaphy Director of Corporate Resources
Mr A King Chief Accountant
Mr N Murley Assistant Director Audit & Risk
Ms K Riches Head of Audit

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

A/09/53

Chairman's Announcements

The Chairman made the following announcements:

1. The Committee were informed that the amended Minutes would be the version signed by the Chairman.
2. The Constitution Advisory Group had agreed a change which no longer required the Minutes of the Audit Committee to be presented to the Executive. The Minutes would only be presented if there was an exempt item of business which required their attention.
3. There would now be a 'Matters Arising' section on the agenda from the April Meeting.
4. Officers were requested to bring a report to the April Meeting which would provide more information on the disaggregation of assets. The report would need to include the opening balance sheet for Central Bedfordshire.

5. At the last meeting in October 2009, it was agreed that a consolidated action plan be produced following recommendations made by the Audit Commission in each of the Annual Governance Reports for the legacy authorities. However as item 8 on the agenda, the Central Bedfordshire Annual Audit Letter has consolidated these recommendations, it was agreed an Action Plan will be presented to the next Committee in April in response to this report.
6. IFRS training – this was outstanding to Members. The Officers confirmed that provision of the training was important but the timing was critical. It was agreed that sessions would be provided following the closing of the Accounts.
7. SAP training – Different versions of the system were used all over the world. The Director of Corporate Resources confirmed that he would be providing a presentation to the Chief Executive and would suggest that a similar presentation be given to the Audit Committee.

A/09/54

Minutes

RESOLVED

that the Minutes of the meeting of the Audit Committee held on 21 September 2009 and the Minutes of the Special Meeting held on 30 October 2009 be confirmed and signed by the Chairman as a correct record.

In relation to the 21 September 2009 Minutes, the Committee have been requested to review the electronically circulated copy and confirm their acceptance after the meeting.

Subject to the 30 October 2009 Minutes being amended at Minute No. A/09/49 recommendation 1 to read as follows:

- 1. that the Bedfordshire County Council Statement of Accounts 2008/09 be approved.***

A/09/55

Members' Interests

(a) **Personal Interests:-**

None.

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

None.

A/09/56 Petitions

The Chairman announced that no petitions had been referred to this meeting.

A/09/57 Public Participation

No applications had been received under Procedure Rule No. CM9 to speak during the fifteen minute question and statement period at the beginning of the meeting. Furthermore there had been no applications to speak under the Public Participation Scheme on any items included on the Agenda for this meeting.

A/09/58 Disclosure of Exempt Information

There were no disclosures of exempt information.

A/09/59 Central Bedfordshire Annual Audit Letter

Debbie Hanson, the current District Auditor for Central Bedfordshire, informed the Committee that she would be passing over that responsibility to Mr Paul King. Debbie thanked the Committee for their cooperation during her time working with them. The Chairman thanked Debbie for her hard work and consideration during her time working with Central Bedfordshire Council.

The Audit Commission confirmed that four accounts had been audited which was comprised of the three legacy and the Pension Fund. Whilst there were delays in signing off the accounts due to clarification of various issues, the deadline of 30 November 2009 was met for all four accounts.

It was noted that the disaggregation of the Bedfordshire County Council assets had to be completed following discussions between Bedford Borough Council and Central Bedfordshire Council.

The new IFRS process will require the restatement of the comparatives for 2009/10. The Audit Commission will be monitoring the process to ensure the Council meets the targets.

The Use of Resources assessment for unitary authorities would include much tougher criteria. There was more of an emphasis on outcomes and so measurement would be placed on what difference has been made to services and how this affected people in the Community.

The Value for Money conclusions for Mid Bedfordshire District Council and South Bedfordshire District Council were both found to be adequate and therefore were unqualified. The Bedfordshire County Council conclusion however was qualified due to inadequate management arrangements around data quality.

Within the Managing Performance area the following were noted:

- The financial standing of the Council was seen as a significant risk due to the 2009/10 projected overspend but it was acknowledged that progress had been made to address this position and the overspend had been reduced to within acceptable tolerances.
- Housing Management and Homelessness were going to be particularly challenging areas especially during the current economic climate.
- The audit fees included an additional £28k as a result of the extra work undertaken during the audit of accounts for Bedfordshire County Council £15k and South Bedfordshire District Council £13k.
- A further risk highlighted was around the Housing benefit claims as both Mid Beds District Council and South Bedfordshire District Council audits in this area had been problematic in the past.
- A joint review of the shared services between Bedford Borough Council and Central Bedfordshire Council is being undertaken. This work would help both authorities confirm that certain shared services are still the correct option for both Councils.

RESOLVED

that the Central Bedfordshire Annual Audit Letter be noted.

A/09/60

Progress Report from the Audit Commission

The Committee received and considered the Progress report of the Audit Commission. The progress report provided an overview of where the Audit Commission were in relation to the current audits. The Audit Commission attend each meeting of the Audit Committee.

It was noted that a more detailed plan would be received at the April meeting, including the indicative fee for 2010/11.

It was acknowledged that a review of the grant claims would be carried out towards the back end of the year.

A question was asked in relation to the fact that the Council is capped at 3% for Council Tax and would this give rise to a revised fee? It was confirmed that the Audit Commission fees were standard across different authority types and published document for the whole country.

It was noted that the Grant claims review fee was based on the completion of all grant claims including the audit of NNDR & Housing benefits.

It was noted that Officers were working closely with the Audit Commission to reassure and inform of work done.

RESOLVED

that the Audit Commission Progress Report be noted.

A/09/61

Progress on the Strategic and Directorate Risk Registers

The Committee received and considered the report of the Director of Corporate Resources which provided an update on the progress made on the strategic and service risk registers.

The Executive at its meeting held on 12 January 2010 considered the Strategic Risk Registers which was required as part of the Corporate Risk Management Strategy.

The Assistant Director Audit & Risk informed the Committee of what information was provided by the Risk Register. The detailed strategic register sets out the individual risk, explaining in more detail the likely impact and then provides information on the risk control measures that are in place to mitigate the effect. A risk score, the product of the probability and impact, is presented representing how effective our current controls that are in place. A residual score is then presented assuming all of the controls are in place. The risk control owners are also set out in the register along with an expected completion date.

It was confirmed that the register should be flexible and that review of the register should be undertaken on a regular basis. The next date of that review by CMT would be in April to ensure that it captures the up to date risk position.

Clarification was provided that the Risk Register was owned by the Executive however it was the Audit Committee who were responsible for determining the risk management framework.

Members noted the progress made on the service and directorate registers and overall approved the document but had concerns that not all of the risks registers had been correctly identified under the relevant directorate. Officers accepted that the Leisure and Community Learning service register should now sit under the Sustainable Communities Directorate rather than that of Children, Families and Learning Directorate.

It was agreed that all comments made by the Committee around the Strategic Risk Register would be fed back into the next review undertaken by CMT and that an update on the service and directorate registers would be presented to the April Audit Committee.

RESOLVED

that the progress made on the Strategic and Directorate Risk Registers in line with the Corporate Risk Management Strategy be noted.

A/09/62

Internal Audit and Risk Management Progress Report

The Committee received and considered the report of the Director of Corporate Resources which provided an update on the work of internal audit and risk management for 2009/10.

The Assistant Director Audit and Risk informed the Committee that most of the audits were well underway and that the initial work involved included documenting the systems and then carrying out walk through tests. The substantive testing would then follow.

Other Internal Audit activity included investigating data matches under the national fraud initiative and it was noted that the school audit work was going well and was being reported to the schools forum.

The following issues were also discussed:

- Results set out under managing performance.
- Insurance claims – including dealing with run off claims
- Health & Safety work as detailed in Appendix A to the report. To date 21 audits have been carried out.
- Accident reporting system almost in place across the whole organisation
- There were 11 specific health and safety training sessions held to date which were all well attended. Regrettably the risk awareness event had to be cancelled due to corporate pressures.
- Members discussed the concerns with the way the property maintenance contract had been established.

Lastly members requested some clarification on the implementation of the internal audit recommendations. Officers explained that:

High recommendations were required to be implemented within 1 – 3 months
Med recommendations were required to be implemented within 1 – 6 months
Low recommendations were required to be implemented within 1 – 12 months

RESOLVED

that the progress made to date on the Internal Audit and Risk Management Progress report, be noted.

A/09/63

Third Quarter Close 2009/10 and Progress on IFRS Implementation

The Committee received and considered the report of the Director of Corporate Resources that provided information on proposals to carry out a third quarter close (to 31 December 2009) and were updated on progress made in meeting IFRS reporting requirements.

The Head of Corporate Finance introduced the Committee to Barry Williams, the authority's Interim Chief Accountant.

It was noted that the Third Quarter close was being introduced to raise the profile of the overall annual accounts process and ensure that as much of the work associated with the closure process was completed at the earliest opportunity. This would allow any early identification of any potential issues.

Central Bedfordshire Council were working on ensuring that the foundations for an effective closure process were in place during this process. As such a key output from the third quarter close were the production of a revised Statement of Accounts template that included a new Statement of Accounting Policies that both harmonised the policies of the predecessor authorities and captured any new accounting requirements included in the Statement of Recommended Practice. External Audit have already been engaged to discuss some issues which had arisen and regular meetings are planned through to the conclusion of the annual accounts process.

The authority was also undertaking a fundamental review of its control and suspense accounts (including bank and payroll accounts) in order to gain early assurances over their balances.

It was noted that the valuation work of land and building assets were previously owned by Bedfordshire County Council was due to be produced by Mouchel by the end of January. All bases of valuation were being harmonised in order to ensure consistent practice.

The Head of Corporate Finance updated the Committee on progress made in responding to the requirements of the International Financial Reporting Standards. The changes would impact upon the short and long term accounting arrangements of the authority.

The Committee was informed that the major issue for consideration within the current year's annual accounts was in respect of the treatment of the authority's Private Finance Initiative (PFI). A proposal on this area will be provided to the External Auditor by the end of February 2010.

Longer term IFRS issues are being evaluated by the authority and these include the treatment of unpaid employee benefits, leases and property, plan and equipment. Work has commenced on responding to the initial proposals and potential progress in this area has been helped due to the agreement on the principles of the disaggregation of the Bedfordshire County Council balance sheet.

It was noted that the DCLG has undertaken a further consultation on the implementation of IFRS that could have fundamental impact on the accounting treatment of leases and employee benefits. It was noted that the results of the consultation were due to be received between January and April 2010.

Members asked a number of questions regarding procedures and harmonization of policies and were content with the answers provided by Officers.

RESOLVED

that the comments contained within the Third Quarter Close 2009/10 and Progress on IFRS implementation report of the Director of Corporate Resources, be noted.

A/09/64

Work Programme

The Assistant Director Audit and Risk presented the Committee with the Work Programme and highlighted the items to be considered at the April meeting.

RESOLVED

that the future work programme be noted.

(Note: The meeting commenced at 10.00 a.m. and concluded at 12.25 p.m.)