
Meeting: Council
Date: 19 April 2012
Subject: Audit Committee Activity – Annual Report
Report of: Councillor David Bowater, Chairman of the Audit Committee
Summary: This report to Council summarises the activities of the Audit Committee, as required under the Audit Committee’s Terms of Reference.

Advising Officer: Charles Warboys, Chief Finance Officer
Contact Officer: Kathy Riches, Head of Internal Audit and Risk
Public/Exempt: Public
Wards Affected: All
Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

An effective Audit Committee is an integral part of the internal control and governance arrangements of the Council. As such it supports all the Council’s priorities.

Financial:

1. None directly from this report.

Legal:

2. None directly from this report.

Risk Management:

3. One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the associated control environment and therefore supports the overall risk management framework.

Staffing (including Trades Unions):

4. None directly from this report.

Equalities/Human Rights:

5. None directly from this report.

Public Health

6. None directly from this report.

Community Safety:

7. None directly from this report.

Sustainability:

8. None directly from this report.

Procurement:

9. None directly from this report.

RECOMMENDATION:**Council is asked to:**

1. **Note the work activity of the Audit Committee.**

Background

10. Paragraph 6.2.2 of the Audit Committee's Terms of Reference requires a report to be made by the Chairman of the Audit Committee to Council on the Committee's activities twice a year. This report covers the Committee's activity during 2011/12.
11. The Audit Committee has met formally on four occasions since the start of the financial year. In addition, two training sessions for Members have also taken place.
12. The local elections in May this year resulted in some revisions to the membership of the Committee.

Internal Audit Activity

13. The Committee, at its meeting in April, considered and approved the Internal Audit Strategy, the Strategic Audit Plan, and the Annual Plan for 2011/12. This strategy is a high level statement of how the Council meets the requirements of the Account and Audit Regulations 2003 (as amended 2011), which require that the Council maintains an adequate and effective internal audit of its accounting records and its system of internal control, in accordance with proper audit practices.
14. The Strategic Audit Plan and Annual Audit Plan for 2011/12 were produced using a risk based approach, as required by the CIPFA Code of Practice for Internal Audit in Local Government, and was informed by a detailed Audit Needs Assessment undertaken during 2009/10. 2011/12 forms the second year of a three year plan.
15. The Committee also noted and endorsed the Internal Audit Charter, designed to assist managers, employees, Members and contractors understand how Internal Audit interacts with the Council when carrying out its work.

16. At its meeting in June 2011 the Committee considered the Internal Audit Annual report 2010/11, prepared by the Head of Internal Audit, which presented an opinion on the effectiveness of Central Bedfordshire Council's internal control environment and summarised the internal audit activity upon which that opinion was based. The report concluded that, overall, the key controls in place were adequate and effective such that reasonable assurance could be placed on the operation of the Council's function.
17. Regular internal progress reports have been received, setting out progress against the delivery of the Internal Audit Plan. The progress reports have included Internal Audit opinions given for individual reviews. Where appropriate, officers have been requested to attend the Committee to enable the Members to probe further into issues of concern and seek assurance that appropriate management action is being taken.
18. To further strengthen its role in monitoring the internal control environment, the Committee has received regular reports monitoring the progress made against the implementation of high risk recommendations arising from Internal Audit inspections.
19. The Account and Audit Regulations 2003 (as amended 2011) require that there is an annual review of the effectiveness of the system of internal audit. The Chair of the Audit Committee, supported by the Deputy Chair, carried out the review. The scope of the review covered compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 and this concluded that Internal Audit complied with the Code.

Activity relating to Financial Reporting

20. The Committee received regular reports from the Chief Finance Officer on progress made on the completion of the 2010/11 Accounts, to obtain assurance that the financial reporting process was robust and timely progress was being made on the production of the Annual Accounts.
21. The Committee has monitored the work of the Audit Commission, the Council's external auditors. The Audit Commission has presented regular reports to the Committee setting out their work plan for the External Audit opinion, and also received regular reports on the delivery of their work in relation to the Certification of Grant Claims and Returns and their audit work on the final accounts.
22. Early in June Committee Members participated in a training session designed to enhance their understanding of financial reporting and the impact on the accounts on the introduction of International Financial Reporting Standards (IFRS), as well as other issues pertinent to Central Bedfordshire Council.
23. The draft 2010/11 Statement of Accounts was considered in June and the contents noted, prior to their submission for audit to the Audit Commission. The 2010/11 final statement of Accounts was formally approved by the Committee on 26 September, following the audit.

24. The Audit Commission's Annual Governance Report was also received by the Committee in September 2011. This report summarised the key findings from their audit, and provided the Committee the opportunity to consider the issues arising. The report indicated that the accounts would receive an unqualified opinion and this was confirmed in the Annual Audit Letter circulated to all Members on 23 November, and presented to the Audit Committee in January 2012.

Local Code of Corporate Governance/Annual Governance Statement

25. The Committee considered and approved the Code of Corporate Governance at its meeting in April. This outlines the six core principles of Corporate Governance and how the Council would achieve them. At the same meeting the draft Annual Governance Statement was considered and the Committee recommended its approval and submission to the Leader and Chief Executive.

Risk Management Activity

26. The Committee considered and approved the Corporate Risk Management Strategy at its meeting in April. In order to ensure that the Committee can effectively monitor its operation it was agreed that quarterly risk management summary reports would be considered by them and this process has now been introduced, enabling the Committee to discharge its responsibilities in this area.

Anti Fraud and Corruption Activity

27. Details of the outcomes of special investigations undertaken by Internal Audit have regularly been reported to the Committee, along with progress made in the investigation of queries arising as a result of the National Fraud Initiative (NFI) data matching exercise.
28. The implications of the Bribery Act 2010 on local authorities were considered by the Committee in October at an informal training session.
29. The Anti Fraud and Corruption Strategy (including Anti Bribery) and the Confidential reporting policies were revised during the year, and approved by the Committee in January 2012.

The Future of Local Public Audit.

30. The decision by the Secretary of State for Communities and Local Government to disband the Audit Commission and re focus audit on helping local people to hold their councils and other local public bodies to account for local spending decisions has a number of implications for the future of local public audit. The Committee considered and discussed these at the informal training session in October and received updates from the Head of Internal Audit on the consultation and the District Auditor on the implications for the external audit of the financial statements. The Committee will continue to monitor developments in this area with interest. The final outcome of the consultation is still awaited and will be considered in detail by the Committee when it becomes available.

Conclusion

31. Through its work the Audit Committee has:

- provided independent assurance on the adequacy of the risk management framework and associated control environment;
- provided independent scrutiny of the Council's financial and non financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment; and
- has overseen the financial reporting process.

32. In discharging its role, the Committee has been well supported by Internal Audit and Risk, the Audit Commission, and Finance staff.

Appendices: None

Background Papers:

Location of papers: Priory House, Chicksands, Bedfordshire