

## CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Monday, 2 April 2012

### PRESENT

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

Cllrs L Birt  
Mrs D B Green  
D J Lawrence

Cllrs A Shadbolt  
A Zerny

Members in Attendance: Cllr M R Jones

Officers in Attendance: Mr J Atkinson Head of Legal and Democratic Services  
Mr L Manning Committee Services Officer  
Ms K Riches Head of Internal Audit and Risk  
Mr C Warboys Chief Finance Officer & Section 151 Officer

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

A/11/42 **Minutes**

### RESOLVED

**that the minutes of the meeting of the Audit Committee held on 23 January 2012 be confirmed and signed by the Chairman as a correct record.**

A/11/43 **Members' Interests**

(a) **Personal Interests:-**

None.

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

None.

A/11/44 **Chairman's Announcements and Communications**

None.

A/11/45 **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/11/46 **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/11/47 **Certification of Claims and Returns - Annual Report 2010/11**

The Committee received the Audit Commission's annual report which summarised the outcome of the Commission's certification work on the Council's 2010/11 claims and returns. The Audit Manager (Audit Commission) took the opportunity to correct a small number of minor typographical errors.

The following matters were set out within the report:

- Summary of 2010/11 certification work
- Results of 2010/11 certification work
- Summary of progress on previous recommendations
- Summary of recommendations
- Summary of certification fees

The Audit Manager commented that the main area of grant certification work was the audit of the Housing and Council Tax Benefit claim. She explained that due to the number of errors found in this claim in previous years a large volume of additional testing was necessary. Whilst the Committee was pleased to note that the claim had been certified by the due date of 30 November 2011, which represented a significant improvement over previous years, Members also noted that there were still large numbers of errors being found in the claim. The Audit Manager stated, however, that she was aware of the ongoing staff training and quality control improvements within the Revenues and Benefits team and that these should contribute significantly to the further reduction in the number of errors.

In connection with the associated recommendation on this issue, as set out within the Audit Commission's report, a Member expressed concern that the impression given was that any problems had now been overcome. In response the Chief Finance Officer assured the meeting that the emphasis was on further training and quality control measures to address the issues highlighted

in the report and that it would be unrealistic to expect all errors to have been eliminated at this point. He added that only 15% of local authorities received an unqualified certification of their Housing and Council Tax Benefit claim and that the Audit Commission's report represented a positive direction of travel for Central Bedfordshire. The Chief Finance Officer stated that the errors themselves often related to the misclassification of over-payments rather than the incorrect assessment of benefits.

## **NOTED**

### **the Audit Commission's annual report on the Certification of Claims and Returns for 2010/11.**

A/11/48

#### **Audit Committee Update**

The Committee received an update report from the Audit Commission on a wide range of issues including the Commission's progress in undertaking work as the Council's external auditors and the externalisation of the Audit Practice.

In connection with the Audit Commission's review of the Council's arrangements for recording, monitoring and reporting on Section 106 monies the Audit Manager (Audit Commission) reported that some potential improvements had been identified and a report on these would be submitted to the June meeting of the Committee.

The Committee next turned to consider the Government's response to consultation on the future of the local public audit and the outcome of the bidding process under the externalisation process for the Audit Practice. In connection with the latter, the District Auditor (Audit Commission) drew the meeting's attention to the success of Ernst & Young LLP in winning the five year contract, to be let from 2012/13, for the Eastern 'lot' which included Central Bedfordshire. He added that Audit Commission staff would transfer to the successful bidder on 1 November 2012 under the TUPE Regulations. It was noted that a decision by the Commission on the final appointment of auditors for individual audits would follow in July 2012 following consultation with local authorities to ensure that there was no good reason to prevent a winning bidder from becoming an authority's auditor.

The Committee noted that relevant local authorities were to be invited to an event on 14 May 2012 at which Ernst & Young would discuss its role as their new auditor and answer any questions that the authorities might have.

Full discussion took place on the issue of quality control and the discharge of responsibilities by Ernst & Young. The District Auditor advised Members that as the Commission's existing staff were to transfer across to Ernst & Young, and though the resourcing of individual audits would be a matter for the company, it was likely, in the short to medium term, that there would be a continuity of audit personnel.

**NOTED**

**the Audit Commission's Audit Committee update.**

A/11/49

**Annual Governance Statement**

The Committee considered a report by the Head of Legal and Democratic Services which sought Members' comments on the draft Annual Governance Statement for 2011/12.

The meeting noted that the draft Statement was intended to demonstrate how the Council had achieved the principles contained in the Code of Corporate Governance in the current financial year (2011/12).

The Head of Legal and Democratic Services advised that the draft document adopted the same format as that for the previous year and had already been considered and amended by the Corporate Management Team. Further work was required to ensure it reflected the significant governance issues that had been identified. In response to a query he added that the meeting represented the only opportunity for the Committee to comment on the draft Statement before, following further input, it was submitted to the Leader and Chief Executive for formal adoption.

The meeting noted that, in section 2.4 of the draft, the number of complaints regarding breaches of the Code of Conduct had yet to be added to the text. With regard to ethical governance in general the Head of Legal and Democratic Services explained that the current review had been undertaken having full regard to the requirements of the Localism Act.

In connection with section 2.10 b), and the development and improvement of channels of communication with customers and stakeholders, a Member commented on the need to include a reference to ward Members in the text.

A Member referred to the existence under the former Bedfordshire County Council of an audit emergency plan through which a private auditor would provide staff to meet an urgent requirement. The Member queried if it would be possible for Central Bedfordshire Council to reach a similar mutual agreement with other local authorities. In response the Head of Internal Audit and Risk explained that there was a small contingency fund in the budget to buy in additional staff. In addition there were existing informal arrangements with other local authority audit teams and private contractors to provide assistance if so required. Last, she stated that, if necessary, work would be prioritised to meet exceptional circumstances.

**RESOLVED**

**that, subject to the amendment of section 2.4 to include the numbers of Code of Conduct complaints and section 2.10 to include reference to ward Members when improving channels of communication, the draft Annual Governance Statement for 2011/12 be approved as the basis for**

**further input before submission to the Leader and Chief Executive for approval.**

A/11/50 **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 2011/12 up to 29 February 2012.

The report set out progress on the following matters:

- Managed audits
- Other audit work
- National Fraud Initiative (NFI)
- Fraud and special investigations
- Schools
- Performance management

The Head of Internal Audit and Risk introduced the report and advised that a summary of activity over the full year would be submitted to the June meeting of the Committee.

**NOTED**

**the progress made against the 2011/12 Internal Audit Plan.**

A/11/51 **2012/13 Internal Audit Charter**

The Committee considered a report by the Chief Finance Officer which presented the Internal Audit Charter for 2012/13 and sought Members' endorsement of it.

The Head of Internal Audit and Risk reported that the document did not contain any significant changes from the content of the 2011/12 Charter endorsed by the Committee in April 2011 (minute A/10/73 refers). However, the opportunity had been taken to update the Charter so it reflected the recent changes in the Council's senior management structure. She also drew Members' attention to a forthcoming update of the CIPFA Code of Practice for Internal Audit in Local Government in 2013. Members were aware that, as the Charter was modelled on the standards set out in the Code of Practice, the Charter would require further updates to reflect any changes to the Code.

A Member sought clarification on the reference in the Chief Finance Officer's report to the use of internal audit for 'consultancy purposes'. In response the Chief Finance Officer explained that this referred to situations when the Audit team was required to employ its specific skills within the Council but in areas outside its normal remit. The decision to so use the Audit team was taken on a case by case basis.

**RESOLVED**

**that the Internal Audit Charter 2012/13 be endorsed.**

A/11/52

**Internal Audit Strategy and Annual Audit Plan for 2012/13**

The Committee considered a report by the Chief Finance Officer which presented the Internal Audit Strategy 2012/13 and the Annual Audit Plan 2012/13 for approval.

The Head of Internal Audit and Risk explained that the Internal Audit Strategy was a high level statement of how the Internal Audit service would be delivered to meet legislative requirements. A Strategy had been produced in April 2010 for the period 2010/13 and refreshed each year to reflect changes in roles and responsibilities. She advised, however, that there had been no fundamental changes to the Strategy.

With regard to the Annual Audit Plan Members noted that the CIPFA Code of Practice for Internal Audit in Local Government stated that a risk based plan designed to implement the Internal Audit Strategy should be produced. A detailed audit needs assessment had therefore been undertaken and this had given rise to the three year strategic plan presented to the Committee in 2010. The document before Members represented the strategic plan's third and final year in the form of the Annual Audit Plan for 2012/13. Members noted that the Plan had been refreshed to reflect changes that had occurred since the original compilation and this process would continue during 2012/13. It was further noted that another strategic plan would be developed, following a detailed, revised audit needs assessment, for adoption in 2013/14.

A Member drew the meeting's attention to typographical errors in the Internal Audit Strategy.

**RESOLVED**

**that, subject to the correction of the typographical errors identified, the Internal Audit Strategy 2012/13 and the Annual Audit Plan 2012/13 be approved.**

A/11/53

**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 March 2012 and sought approval for the 2012/13 Corporate Risk Management Strategy.

The Head of Internal Audit and Risk drew Members' attention to changes in the position of both strategic and operational risks in their respective matrices. In response to a query by the Chairman the Head of Internal Audit and Risk undertook to supply information on why the operational risk relating to Children's Services Business Continuity Plan (CHS0004) no longer appeared as a top ten risk.

A Member queried the absence of any reference to a possible risk to the Council arising as a result of Academies employing the use of permanent exclusions. The Head of Internal Audit and Risk undertook to seek information from Children's Services as to whether this was occurring or was likely to.

Turning to the Risk Management Strategy the Head of Internal Audit and Risk stated that the Strategy had been refreshed for 2012/13. She added that in the past the document had been signed off by the Leader and Chief Executive but it was proposed that, as the Committee was responsible for the Strategy, the Chairman of the Committee should undertake this function instead.

The meeting was advised of two minor typographical errors.

#### **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, subject to the amendment of typographical errors, the Corporate Risk Management Strategy 2012/13 be approved.**

A/11/54

#### **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, outlined how these would be monitored and the progress made on their implementation as at the end of February 2012.

With regard to the Monitoring of Section 106 Agreements a Member queried how the Council was managing the difference in the amount of unapplied capital receipts (currently standing at £19.48M) and liabilities which were increasing at the rate of inflation. In response the Chief Finance Officer undertook to investigate this issue and report to Members on his findings.

Some Members commented on the difficulty in understanding the content of the report appendices and requested that Plain English be used in future. The Chief Finance Officer undertook to do so.

#### **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 February 2012.**

(Note: The meeting commenced at 9.30 a.m. and concluded at 11.55 a.m.)

Chairman .....

Dated .....