

## CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Chicksands, Shefford on Monday, 25 June 2012

### PRESENT

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

Cllrs Mrs D B Green  
D J Lawrence

Cllrs P F Vickers  
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
Mr M Millar	Interim Financial Controller
Ms K Riches	Head of Audit
Mr N Visram	Financial Controller
Mr C Warboys	Chief Finance Officer & Section 151 Officer

Others In Attendance:

Mr P King	Audit Commission
Mrs C O'Carroll	Audit Commission

A/12/1 **Minutes**

### RESOLVED

**that the minutes of the meeting of the Audit Committee held on 2 April 2012 be confirmed and signed by the Chairman as a correct record.**

A/12/2 **Members' Interests**

#### (a) **Personal Interests:-**

Member	Item	Nature of Interest	Present or Absent during discussion
Cllr D Bowater	7	Is community governor at Gilbert Inglefield Academy, Leighton Buzzard.	Present

Cllr D J Lawrence 7 Is Vice-Chair of Bedford Borough Council's Pension Fund Panel (which acts on behalf of Central Bedfordshire Council's pension fund). Present

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

None.

A/12/3 **Chairman's Announcements and Communications**

The Chairman expressed his thanks to Councillor M C Blair, the Vice-Chairman of the Committee, for attending the Chairman's briefing session on his behalf.

A/12/4 **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/12/5 **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/12/6 **Central Bedfordshire Statement of Accounts 2011/12**

The Chairman welcomed Nisar Visram, the Council's new Financial Controller.

The Committee considered a report by the Chief Finance Officer which presented the draft 2011/12 Statement of Accounts for Central Bedfordshire Council. The Committee was asked to note the content of the Accounts and approve their submission to the Audit Commission for review.

Following a Member's comment discussion took place on aspects of the pension fund.

Under Note 5 to the Statement of Accounts (Material Items of Income and Expense) the Vice-Chairman referred to the disposal of non-HRA property, some 145 properties in total, and commented that this figure was almost fully composed of schools becoming academies. The Chief Finance Officer stated that other key items were the HRA self-financing payment and new loan to fund the payment. Both items appeared in a number of places within the Statement and inhibited a meaningful year on year comparison.

In response to a further query, and in relation to the current Eurozone crisis, the Chief Finance Officer stated that the Council had no funds invested in European banks, including Santander which was, technically, a UK bank. He briefly outlined the difficulties experienced as a result of the downgrading of some banks and the action taken to ensure outlets were available so that money could be placed on deposit. The Chief Finance Officer informed the meeting that he was in receipt of daily updates on the financial situation. He then concluded by assuring Members that the Council was as well positioned as it could be.

## **RESOLVED**

**that the content of the draft 2011/12 Statement of Accounts for Central Bedfordshire Council be noted and the Accounts be submitted to the Audit Commission, as the Council's external auditor, for review.**

A/12/7

### **Pre-Statements Memorandum 2011/12**

The Committee received the Audit Commission's Pre-Statement Memorandum which set out the findings of the work that had been undertaken by the Commission prior to the receipt of the Council's draft 2011/12 Statement of Accounts.

Members noted that the pre-statement work had covered the following areas:

- the documentation, walk-through and controls testing of key financial systems;
- the value for money (VFM) conclusion;
- Section 106 agreements.

The Audit Manager (Audit Commission) worked through the report highlighting aspects for Members' information. Particular reference was made to the external auditor's review of the Authority's arrangements for recording and monitoring Section 106 receipts together with the recent Internal Audit work on this topic and the resulting recommendations.

The external auditor had concluded that the arrangements for monitoring and reporting Section 106 expenditure could be improved through the following:

- Enhancing the IT capabilities of the Acolaid system;
- Improving the accuracy of the reporting of Section 106 expenditure on the Council's website;
- Keeping a record to ensure that Section 106 balances would be spent within the required time frame of the relevant agreements.

A Member expressed his agreement with the above and described the difficulties he had experienced in accessing information relating to a Section 106 agreement for his own Ward.

With regard to the Action Plan (attached at Appendix 2 to the report) the Audit Manager stated that a completed version of this document would be submitted to the Committee in September at the same time as the Commission's Annual Governance Report on the Statement of Accounts.

**NOTED**

**the Audit Commission's Pre-Statement Memorandum 2010/11.**

A/12/8

**Audit Committee Update**

The Committee received a regular update report from the Audit Commission on a wide range of issues. As well as updating the Committee on the progress of the external audit the report also highlighted key emerging national issues and developments which might be of interest to Members.

The District Auditor (Audit Commission) stated that his team would shortly be starting full work on the Council's Statement of Accounts and its findings would be reported to the Committee's September meeting. He stated that some preliminary work had already been carried out and nothing had indicated the likelihood of major issues arising.

The District Auditor then referred to other areas of work including grants certification. He expressed concern that the Audit Commission had yet to hear from the DWP on any extra work that might be required on the issues raised in connection with the audited 2010/11 Housing Benefits and Council Tax benefits return. Any request for additional work would need to be considered with regard to the potential impact on work on the Council's Statement of Accounts and the transfer of responsibilities to Ernst & Young LLP, the new external auditor.

A Member queried when it would be possible to meet Ernst & Young. In response the meeting was advised that an initial meeting involving representatives from the Audit Commission and Ernst & Young, and at which the Chief Finance Officer and Councillor A Shadbolt had represented the Council, had taken place on 14 May. The District Auditor stated that Ernst & Young were keen to meet their new clients once the consultation period with local authorities had finished and they could be formally appointed as the Council's external auditors in July.

**NOTED**

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

A/12/9

### **Internal Audit Annual Audit Opinion**

The Committee considered the annual report by the Head of Internal Audit and Risk which, in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006, presented an opinion on the overall adequacy and effectiveness of the Council's internal control environment together with any qualifications to that opinion and summarised the audit work undertaken from which that opinion was derived. In addition, the report, which covered 2011/12, highlighted significant issues identified as part of Internal Audit's work including those that were particularly relevant to the Annual Governance Statement, a comparison of the Internal Audit work that had been planned against that which had actually been undertaken and a summary of the performance of the internal audit function against its performance measures and criteria.

The meeting noted that the report was timed to support the Annual Governance Statement in accordance with the Code of Practice.

The Head of Internal Audit and Risk advised Members that her opinion on the Council's System of Internal Control was that, overall, it continued to be adequate with a positive direction of travel for a number of elements. She also drew Members' attention to the key concerns which had been identified and reflected in the Annual Governance Statement. Turning to the anti-fraud work the Head of Internal Audit and Risk stated that there had not been a large number of calls on the Fraud Hotline and most had related to possible fraud in other organisations. The information had been passed on the relevant bodies. She added that none of the calls with information relating to the Council had lead to an investigation.

Turning to performance management and the progress made by Internal Audit on its Key Performance Indicators (KPIs) the meeting noted the improvement in the time taken to return a first final draft report by an auditee (KP 104). The meeting noted that measures were being considered in order to improve the figure still further.

### **NOTED**

**the Internal Audit Annual Audit Opinion report.**

A/12/10

### **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 in their implementation as at the end of May 2012.

The Head of Internal Audit and Risk drew Members' attention to the reduction in the number of outstanding high risk recommendations made and included in tracking reports to the Committee during 2010/11 and earlier where implementation of the recommendation was running behind the planned completion dates. Of the four remaining high risk recommendations she stated

that the recommendation regarding payroll (the proper approval of timesheets and travel claims prior to payment) should be addressed through the current SAP Optimisation project.

The Head of Internal Audit and Risk then turned to the two high risk recommendations made and included in tracking reports to the Committee since April 2011 where implementation of the recommendation was running behind the planned completion dates. She advised the meeting that the high risk recommendations, which dealt with the main accounting system (bank reconciliations) and the monitoring of Section 106 Agreements, had both been substantially implemented. She concluded by commenting that the maturing and imbedding of key financial systems and controls was leading to fewer high risk recommendations.

In response to a Member's comments regarding the apparent focus on solely positive elements within the Chief Finance Officer's report the author stated that some of the report's content indicated a positive direction of travel rather than a full, positive outcome. He also stressed that officers, whilst happy with the progress made, were not complacent and it was recognised that much work still remained to be done.

#### **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 May 2012.**

A/12/11

#### **2012/13 Audit Committee Outline Work Programme**

The Committee considered a report by the Chief Finance Officer which set out the proposed work programme for the Audit Committee for the remainder of the 2012/13 municipal year and the beginning of that for 2013/14. The Head of Internal Audit and Risk stated that the work programme reflected the maturing of the Committee's role.

With regard to the submission of external audit reports to the Committee the District Auditor (Audit Commission) commented that Ernst & Young LLP, the successors to the local Audit Practice, could have their own approach to the content and timing of reports.

In response to comments regarding the forthcoming major changes to the Council Tax system the Head of Internal Audit and Risk stated that this would be taken into consideration in future audit planning.

A Member emphasised the need to ensure that the work undertaken by the internal and external audits was complimentary. In response the District Auditor assured the meeting that Ernst & Young would wish to maximise the effectiveness and efficiency of the external audit function and would, therefore, place a reliance on the work undertaken by internal audit.

**RESOLVED**

**that the proposed work programme for the Audit Committee for the remainder of the 2012/13 municipal year and the beginning of that for 2013/14 be approved.**

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.30 a.m.)

Chairman .....

Dated .....