
Meeting: Council
Date: 13 June 2013
Subject: Audit Committee Activity – Annual Report
Report of: 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.

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:

1. **that the Council notes 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 2012/13.
11. The Audit Committee has met formally on four occasions since the start of the financial year. During the year, Cllr Costin, who has previously acted as a substitute, became a full member of the Committee.
12. As a result of the Government's decision to externalise the Audit Practice, Ernst and Young were appointed as the Council's external auditors with effect from 1 November 2012. However, the audit of the 2011/12 Statement of Accounts was undertaken by the Audit Commission.

Internal Audit Activity

13. The Committee, at its meeting in April, considered and approved the Internal Audit Strategy and the Annual Plan for 2012/13. 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 Annual Audit Plan for 2012/13 was produced using a risk based approach, as required by the CIPFA Code of Practice for Internal Audit in Local Government. A three year Strategic Plan was produced during 2009/10 following a detailed Audit Needs Assessment and 2012/13 was the final year of this plan. In January 2013, the Committee received and endorsed a report outlining the approach to the development of a strategic plan to cover the next three years.
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 2012 the Committee considered the Internal Audit Annual Report 2011/12, prepared by the Head of Internal Audit and Risk, 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 continued to be adequate and effective such that reasonable assurance could be placed on the operation of the Council's function.
17. Regular internal audit 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. During 2011/12, this review was undertaken by the Chief Finance Officer. 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 the Committee was given assurance that Internal Audit has continued to comply with the Code.

Activity relating to Financial Reporting

20. The draft 2011/12 Statement of Accounts was considered in June and the contents noted, prior to their submission for audit to the Audit Commission. The 2011/12 final Statement of Accounts was formally approved by the Committee on 24 September, following the audit.
21. The Committee has monitored the work of the Council's external auditors. The Audit Commission presented regular reports to the Committee in relation to the 2011/12 External Audit opinion, and on the delivery of their work in relation to the Certification of Grant Claims and Returns. Since their appointment as external auditors in November, Ernst and Young have also updated the Committee on their audit activity.
22. The Audit Commission's Annual Governance Report was also received by the Committee in September 2012. 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 presented to the Audit Committee in January 2013, which also confirmed that the Council had made proper arrangements to secure economy, efficiency and effectiveness – Value for Money - in its use of resources.

Local Code of Corporate Governance/Annual Governance Statement

23. The Committee considered the draft Annual Governance Statement at its meeting in April, and approved it as a basis for further input prior to submission to the Leader and Chief Executive. This statement is intended to demonstrate how the Council has achieved the principles contained in the Code of Corporate Governance. The final Annual Governance Statement was presented to the Committee alongside the 2011/12 Statement of Accounts in September 2012.

Risk Management Activity

24. The Committee considered and approved the Corporate Risk Management Strategy at its meeting in April. The Committee has received and considered regular risk management summary reports during the year, enabling it to discharge its responsibilities in this area.

Anti Fraud and Corruption Activity

25. 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.

The Future of Local Public Audit.

26. The Committee has continued to consider the implications of the decision made by the Secretary of State for Communities and Local Government to disband the Audit Commission. In April, the Committee received an update from the Audit Commission on the Government's response to the consultation on the future of Local Public Audit and the externalisation of the Audit Practice. The Committee has been pleased to note the seamless transition so far between the Audit Commission and Ernst & Young. This is thanks in part to the transfer and retention of former Commission staff familiar with the Authority's financial systems; to the work of Finance and Internal Audit officers in providing effective liaison with the new auditors; and to Ernst & Young themselves, who have provided clear guidance on their approach and methods.

Other Matters of Interest

27. The Committee has been updated throughout the year by finance staff, and both the internal and external auditors on other matters relevant to the role of the Committee. These matters include: the Audit Commission and Local Government Association's report on Managing workforce Costs, the Audit Commission report on joining up health and social care, CIPFA's Prudential Code for Capital Finance, CIPFA guidance notes, the Local Government Finance bill, HRA Self Financing, the Localism Act, and the Public Sector Internal Audit Standards. Where appropriate, the Committee has sought responses from officers on key issues for the Council identified from these updates. During a year of significant change in matters requiring scrutiny by the Audit Committee, such guidance has proved invaluable, and the respective officers are to be thanked for their various contributions.

Conclusion

28. 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.
29. In discharging its role, the Committee has been supported by Internal Audit and Risk, the external auditors, and Finance staff.

Appendices: None

Background Papers: None

Location of papers: Priory House, Chicksands, Bedfordshire