

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Chicksands, Shefford on Monday, 8 April 2013

PRESENT

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

Cllrs N B Costin
Mrs D B Green

Cllrs D J Lawrence
A Zerny

Apologies for Absence: Cllr A Shadbolt

Substitutes: Cllr R D Berry (In place of A Shadbolt)

Members in Attendance: Cllr M R Jones

Officers in Attendance: Mr C Dillely Strategic Design Authority
Manager
Mr L Manning Committee Services Officer
Ms K Riches Head of Internal Audit and Risk
Mr M Scott Head of Information Assets
Mr N Visram Financial Controller
Mr C Warboys Chief Finance Officer

Others In Attendance: Mr M West Ernst & Young LLP

A/13/37 **Minutes**

RESOLVED

that the minutes of the meeting of the Audit Committee held on 7 January 2013 be confirmed as a correct record and signed by the Chairman as a correct record.

A/13/38 **Members' Interests**

Councillor Bowater declared an interest with regard to item 12 (Risk Update Report). The reason given for the declaration was that Councillor Bowater served as a Partnership Governor (Local Authority) on the Council of Governors for the South Essex Partnership University NHS Foundation Trust (SEPT).

A/13/39 **Chairman's Announcements and Communications**

The Chairman reminded Members that it had been agreed at the last meeting of the Committee (minute A/12/32 refers) that all Central Bedfordshire councillors should be invited to attend a presentation on the unaudited accounts at the meeting on 24 June. He advised that the invitation had been issued but that it had subsequently been established that the flag raising ceremony for Armed Forces Day was scheduled to take place at Priory House that same morning. Members' views were therefore sought on rescheduling the Committee so that it started during the early afternoon instead. In view of these circumstances Members fully concurred with the meeting starting at 1.30 p.m. on 24 June.

The Chairman welcomed Matt Scott (Head of Information Assets) and Clive Dilley (Strategic Design Authority Manager) to their first meeting of the Committee.

A/13/40 **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/13/41 **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/13/42 **Audit Plan**

The Committee received a report by Ernst & Young LLP on the Audit Plan. The report was introduced by the Ernst & Young Director present. Members noted that the purpose of the report was to provide the Committee with a basis to review the proposed audit approach and scope for the 2012-2013 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements and, in addition, to ensure the audit was aligned with the Committee's service expectations.

In connection with the reference to scale fees within the report the Head of Internal Audit and Risk advised the meeting that the Audit Commission had refunded £19,560 to the Council.

NOTED

the Audit Plan for 2012/13.

A/13/43 **Audit Progress Report**

The Committee received the Audit Progress Report for the year ending 31 March 2013 from Ernst & Young LLP. The report, which was introduced by the Ernst & Young Director present, set out the work undertaken to date by the auditor since its appointment on 1 September 2012 and provided an overview of the stage reached by Ernst & Young in planning the Council's 2012/13 audit.

The following issues were covered by the report:

- Meetings (with key officers and other stakeholders)
- Identification of significant and other risks
- Completion of walk throughs and tests of control
- Value for money conclusion assessment
- Grant claim certification

In addition the report provided a timetable showing the key stages of the audit by Ernst & Young.

The meeting noted that, to date, no significant risks had been identified by the auditor.

NOTED

the Audit Progress Report.

A/13/44 **Development of Disaster Recovery Plan**

The Committee considered a slide pack which provided an update on the Information Assets Disaster Recovery Plan. A revised slide pack, which included a list and explanation of the acronyms used within the pack, was circulated at the meeting.

Following a general introduction by the Head of Information Assets the Strategic Design Authority Manager worked through the slide pack, highlighting particular aspects for Members' information.

Members were first updated on developments in Information Assets (IA) disaster recovery which had taken place since September 2012 before receiving an outline of current activities which sought to provide greatly enhanced resilience and recovery measures in IA should a disaster occur. The Strategic Design Authority Manager then described future planned activities which focused on the migration of the production Data Centre from Bedford to a new co-location primary site, the migration of non-production servers from Watling House to a new co-location secondary site and, in the second half of 2013, a dry run Disaster Recovery test followed by an Active-Passive Disaster Recovery test.

Discussion followed during which the Strategic Design Authority Manager, in response to Members' queries, clarified aspects of the IA Disaster Recovery

Plan and related aspects of IT provision. He concluded by asking Members to contact him should they have any further queries.

NOTED

the Information Assets Disaster Recovery Plan update.

A/13/45

2013-14 Annual Audit Plan, Strategic Audit Plan and Internal Audit Strategy

The Committee considered a report by the Chief Finance Officer which presented the 2013/14 Annual Audit Plan and the Strategic Audit Plan for review and approval. The report also summarised the minor revisions made to the Internal Audit Strategy.

The meeting noted that the Internal Audit Plan was a high level statement of how the Internal Audit Service would be delivered in order to meet the requirements of the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. A strategy had been prepared in April 2010 and had been updated regularly. The following revisions had been made for 2013/14:

- Reference to the new Public Sector Internal Auditing Standards
- The introduction of “assurance mapping” of key risks
- The Fighting Fraud Locally initiative, and
- The appointment of Ernst & Young LLP as the Council’s external auditors.

The Committee’s approval of the revisions was sought.

The meeting then turned to consider the 2013/14 Annual Audit Plan and Strategic Audit Plan. The meeting noted that the Public Sector Internal Audit Standards only required a detailed audit plan to cover a period of one year. However, a strategic plan had also been produced to demonstrate how the Internal Audit Service planned to provide assurance over the next three years in key areas. Members further noted that the plan would be reviewed, updated and expanded prior to the start of each financial year to provide more detail of the reviews to be undertaken. A copy of the Internal Audit Plan was attached at Appendix A to the report.

In response to a Member’s reference to assurance audits for Children’s Services and his comment regarding the threat of reputational risk the Head of Internal Audit and Risk stated that it would be possible to include assurance that action plans were being followed.

RESOLVED

that the proposed 2013/14 Annual Audit Plan and Strategic Audit Plan 2013/14-2015/16, together with the revised Internal Audit Strategy, be approved.

A/13/46

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 2012/13 up to the end of February 2013.

The report set out progress on the 2012/13 Internal Audit Plan including:

- Managed Audits
- Other Audit Work
- National Fraud Initiative (NFI)
- Fraud and Special Investigations
- Schools
- Performance Management
- Internal Audit Charter

The Head of Internal Audit and Risk introduced the report, highlighting particular issues for Members' attention as she did so. With regard to Performance Management, and specifically to key performance indicator KP103 (percentage of audit reviews completed within the planned time budget), the Head of Internal Audit and Risk advised that consideration was being given to streamlining the reporting process for introduction in the new Financial Year. The Chief Finance Officer added that the proposed change would introduce a level of flexibility into the target figure.

A Member queried the timeliness of audit work in assisting those schools converting to Academies. In response the Head of Internal Audit and Risk stated that audit officers provided full support by attending school meetings which dealt with the conversion to Academy status and paid especial interest to pensions and payroll as these issues had a major impact on the smoothness of the transition. In response to a query the Head of Internal Audit and Risk indicated that the Council provided sufficient audit resources to offer effective support during the conversion process. The Chief Finance Officer stressed that a dedicated officer team monitored schools' financial position throughout the year and not just during the time of conversion.

The meeting was advised of revisions to the Council's Internal Audit Charter which include reference to the New Public Sector Internal Audit Standards and the appointment of Ernst and Young LLP as the Council's external auditors.

NOTED

the progress made against the 2012/13 Internal Audit Plan

RESOLVED

that the revisions to the Internal Audit Charter, as set out in the report of the Chief Finance Officer, be approved.

A/13/47

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 2013. The Head of Internal Audit and Risk provided an introduction to the report and highlighted changes to the Strategic and Operational Risk matrices.

With reference to Strategic Risk STR0008 regarding the significant loss or ICT failure of core business systems including but not limited to: SAP, ECM, CCMS, Swift, Tribal, Accolaid, Open Revenues, QL Housing and Strategic Risk STR00016 regarding a core infrastructure failure of Datacentre Environment, SAN and/or CBC Network the Head of Internal Audit and Risk stated that she would be meeting with the Head of Information Assets and the Strategic Design Authority Manager Information Assets to discuss these items. She also advised the meeting that a workshop was to be held to consider what new emerging risks, if any, were apparent.

A Member expressed concern regarding Strategic Risk STR0010 on the protection of children and to the new Operational Risk RES050008 which related to insufficient ICT staff resources/capacity to respond to incidents, changes and planned project work. The Committee felt that these Risks should be referred to the relevant overview and scrutiny committees for consideration.

Another Member also expressed concern regarding Operational Risks SCH0004, regarding insufficient staff resources resulting in the under or mis-direction of investment in the transformation of adult social care services, and SCH0008, regarding insufficient capacity, expertise and competency to deliver the Adult Social Care and Housing agenda. The Committee was of the opinion that these Risks should be referred to the Health and Wellbeing Board for consideration.

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

- 1 that, in view of the Audit Committee's concern regarding the risk ratings of Strategic Risk STR0010 and Operational Risk RES050008, these Risks be referred to the Children's Services and Corporate Resources Overview and Scrutiny Committees respectively for consideration;**
- 2 that, in view of the Audit Committee's concern regarding the risk ratings of Operational Risks SCH0004 and SCH0008, these Risks be referred to the Health and Wellbeing Board for consideration.**

A/13/48

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. The report also outlined how the recommendations would be monitored and progress made in implementing them as at the end of February 2013.

Particular consideration was given to the four outstanding recommendations made prior to April 2012 in relation to the following:

- Main Accounting System 2009-10
- Payroll 2009-10
- Teachers' Pensions
- SAP Access and Security (inc IT Disaster Recovery) 2009- 10

The meeting was of the opinion that should the tracking report to the next Committee reveal the absence of any improvement in the rates of slippage then the relevant overview and scrutiny committee(s) should be advised.

A Member used the opportunity to comment that there were areas of land which had no recorded ownership but which could belong to the Council. However, no attempt had been made to establish whether or not any of the land did belong to the Council which, if it did, could be included on the Council's Assets Register. He suggested that investigative action be taken. In response the Chief Finance Officer emphasised that everything belonging to the Council with a value was already included on the Register. The Chairman encouraged the Member to notify officers should he be aware of any unrecorded Council asset. The Committee expressed concern at the level of resources required to undertake the action suggested by the Member when the outcome was so uncertain.

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 2013.

RESOLVED

that should the tracking report to the next Committee reveal the absence of any improvement in the rates of slippage with regard to the four outstanding recommendations made prior to April 2012 then the relevant overview and scrutiny committee(s) be advised.

A/13/49

2013/14 Audit Committee Outline Work Programme

Members considered a report by the Chief Finance Officer which set out the proposed work programme for the Committee for the 2013/14 municipal year.

RESOLVED

that the proposed work programme for the Audit Committee for 2013/14, as set out at Appendix A to the Chief Finance Officer's report, be approved.

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.55 a.m.)

Chairman

Dated