

## CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Council Chamber, Priory House, Monks Walk, Shefford on Monday, 24 June 2013

### PRESENT

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

Cllrs R D Berry  
D J Lawrence

Cllrs A Zerny

Apologies for Absence: Cllrs N B Costin  
Mrs D B Green

Substitutes: Cllrs Mrs J G Lawrence (In place of Mrs D B Green)

Members in Attendance: Cllrs P N Aldis  
P A Duckett  
Mrs S A Goodchild  
R W Johnstone  
M R Jones  
M A G Versallion

Officers in Attendance: Mr J Atkinson Head of Legal and Democratic Services  
Mr R Gould Head of Financial Control  
Mr L Manning Committee Services Officer  
Ms K Riches Head of Internal Audit and Risk  
Mr N Visram Financial Controller  
Mr C Warboys Chief Finance Officer

Others In Attendance: Mrs C O'Carroll Manager – Ernst & Young LLP  
Mr M West Director – Ernst & Young LLP

A/13/50 **Minutes**

### RESOLVED

**that the minutes of the meeting of the Audit Committee held on 8 April 2013 be confirmed and signed by the Chairman as a correct record.**

A/13/51 **Members' Interests**

None.

**A/13/52 Chairman's Announcements and Communications**

The Chairman advised the meeting that the aim of providing a presentation on the draft Statement of Accounts was to provide the greatest opportunity for consideration of this information by all Members of the Council.

**A/13/53 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/13/54 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/13/55 Central Bedfordshire Draft Statement of Accounts 2012/13**

The Committee received a presentation on the draft Statement of Accounts for 2012/13. Paper copies of the presentation were circulated to Members at the meeting.

A copy of the presentation is attached at Appendix A to these minutes.

The Chief Finance Officer reminded the meeting that the Council was no longer required to approve the draft Statement at its June meeting before the external audit took place. Instead, he now signed off the draft Statement for release to the Council's external auditors Ernst & Young LLP and the Committee would receive them for approval in September following their audit. He added that the draft Statement would be published on the Council's website later that day.

The Chief Finance Officer, Head of Financial Control and Financial Controller then took turns to introduce the presentation. In addition a supplement containing detailed information in the form of a movement in reserves statement, a comprehensive income and expenditure statement, balance sheet, cash flow statement and employee remuneration was circulated.

A copy of the supplement is attached at Appendix B to these minutes.

At the end of the presentation Members raised a number of questions covering such issues as the Council's reserves, the financial responsibility for Academies, senior officers' salary levels, interest rate levels on loans and Section 106 contributions.

In conclusion the Chairman, on behalf of the Committee and other Members present, thanked the officers for a very useful presentation.

**NOTED**

**the presentation on the draft Statement of Accounts for 2012/13.**

A/13/56

**Audit and Certification Fees 2013/14**

The Committee received a letter from Ernst & Young LLP confirming the 2013/14 audit and certification work that the external auditors proposed to undertake. The letter stated that the 2013/14 fees reflected the risk-based approach promoted by the Audit Commission for audit and certification work. The Ernst & Young manager present explained that, whilst the estimated fee for additional testing in response to queries raised by the Department for Work and Pensions on the 2011/12 claim had been £8,000, the actual figure had been slightly less than that.

The letter also stated that Ernst & Young would issue its 2013/14 audit plan for the audit of the financial statements, Whole of Government Accounts and proper arrangements in March 2014. This would detail the financial statement and value for money conclusion risks identified, planned audit procedures to respond to those risks, and any changes in fee. The Committee noted that should the external auditors need to make any significant amendments to the audit fee during the course of the audit the matter would first be raised with the Chief Finance Officer and, if necessary, a report would be submitted to the Audit Committee with reasons for the fee change.

**NOTED**

**the 2013/14 audit and certification fees letter from Ernst & Young LLP.**

A/13/57

**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, provided an overview of the stage reached by Ernst & Young in planning the Council's 2012/13 audit and set out the work undertaken by the external auditor since its last report to Members in April 2013.

In addition a sector briefing document was attached to the report at Appendix 2. The document covered issues which might have an impact on the Council, the local government sector and the audits undertaken by Ernst & Young.

Following an introduction by the Ernst & Young manager present a Member referred to the item within the sector briefing document on 'Whole-place community budgets'. Discussion took place on the accuracy of the claims made for this method of funding with Members expressing concerns as to validity of the pilot findings and the extent, if any, of the claimed benefits. The

Chief Finance Officer advised of the impact on the distribution of funding arising from the assumption by government that savings would be achieved before funding was allocated.

**NOTED**

**the Audit Progress Report.**

A/13/58

**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 2012/13. Members were aware that the Committee's terms of reference included responsibility for overseeing the production of the draft Statement.

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.

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 by the Corporate Management Team (CMT). CMT had identified a number of significant governance issues that the Council had to manage during 2012/13. These were identified within section 5 of the draft Statement.

The Committee was asked to consider whether the draft Statement accurately reflected the governance arrangements and the management of risk.

**RESOLVED**

**that, subject to amending the end of the last paragraph of section 2.5 by adding the words 'and the Audit Committee', the draft Annual Governance Statement for 2012/13 be approved for submission to the Leader and Chief Executive to be formally signed off.**

A/13/59

**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 2012/13, 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.

Members noted that the Head of Internal Audit and Risk's opinion on the Council's System of Internal Control was that, overall, it continued to be adequate and that, in general, the key controls in place were adequate and effective to the extent that reasonable assurance could be placed on the operations of the Council's functions. She stressed that, in giving an audit opinion, assurance could never be absolute although Ernst & Young LLP, the Council's external auditors, had reviewed the work undertaken by Internal Audit on the managed audits, had been able to place reliance on the work and were in agreement with the opinions given.

The Head of Internal Audit and Risk worked through the remainder of her report drawing points of interest to Members' attention. In response Members sought clarification a small number of issues.

**NOTED**

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

A/13/60

**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 May 2013.

The Head of Internal Audit and Risk reported that, since the last meeting of the Committee, high risk recommendations relating to the Main Accounting System and Teachers' Pensions had been addressed. Further, a full audit review of both areas was included within the 2013/14 Audit Plan.

**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 2013.**

**RESOLVED**

**that the Head of Internal Audit and Risk be congratulated on the progress made in implementing high risk recommendations.**

(Note: The meeting commenced at 1.30 p.m. and concluded at 3.11 p.m.)

Chairman .....

Dated .....