

## CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Monday, 23 September 2013

### PRESENT

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

Cllr D J Lawrence

Cllr A Zerny

Apologies for Absence: Cllr R D Berry

Substitutes: Cllr Mrs J G Lawrence (In place of R D Berry)

Members in Attendance: Cllr M R Jones

Officers in Attendance: 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: Mr M West                              Director – Ernst & Young LLP

A/13/61            **Minutes**

### RESOLVED

**that the minutes of the meeting of the Audit Committee held on 24 June 2013 be confirmed and signed by the Chairman as a correct record.**

A/13/62            **Members' Interests**

None.

A/13/63            **Chairman's Announcements and Communications**

None.

A/13/64 **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/13/65 **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/13/66 **2012/13 Statement of Accounts/Audit Results Report**

The Committee considered a report by the Chief Finance Officer which presented the 2012/13 Statement of Accounts for approval. The meeting was aware that the Accounts and Audit Regulations 2011 required local authorities to approve and publish their annual accounts together with the audit opinion and certificate by 30 September following the end of the financial year.

In addition, auditing standards required an authority's external auditor to obtain appropriate written representation from the council about the financial statements and governance arrangements. The Committee was also asked, therefore, to approve a draft letter of representation to its external auditors, Ernst & Young LLP.

A copy of the annual accounts was attached at Appendix A to the report and a copy of the draft letter of representation to Ernst & Young at Appendix B.

Members were reminded that, as required by the 2011 Regulations, the Chief Finance Officer had certified the 2012/13 annual accounts in June. A presentation on the annual accounts had been made to the Audit Committee and other Members at its last meeting on 24 June (minute A/13/55 refers) followed by a period of public inspection which had closed on 2 August. The annual accounts had also been subject to an external audit validation by Ernst & Young and the resulting Audit Results Report, which formed item 8 on the meeting agenda, was considered immediately following the Chief Finance Officer's report.

The Chief Finance Officer advised the meeting that any changes made to the annual accounts had been minor and had not required any material adjustment to the original Statement of Accounts. The balance of General Fund Reserves was unaltered. The audit had identified one error and this related to the reversal of a prior year adjustment. The Ernst & Young Director present confirmed that this error did not affect the General Fund balance.

The Committee then turned to consider the Audit Results Report from the Council's external auditor, Ernst & Young. The report summarised the findings from the now completed 2012/13 audit and included the message arising from

Ernst & Young's audit of the Council's financial statements and the results of work undertaken to assess the Council's arrangements to secure value for money in its use of resources.

The Ernst & Young Director worked through the report highlighting various matters of note. He advised the meeting that the external auditor was now in the final stages of its audit work and was checking amendments. In connection with that part of his report dealing with audit risks in arrangements to secure economy, efficiency and effectiveness the Ernst & Young Director referred to the Council's position in the lowest (worst) 10% of its nearest statistical neighbours for the average number of days taken to process both new claims and changes in circumstances for housing and council tax benefits. In addition he referred to the number of cases in the last three years where benefits had been assessed incorrectly. However, the Ernst & Young Director stated that he was also aware of the Council's efforts to address these issues and was satisfied with them.

In response to a query by the Chairman regarding the Council's position in the Value for Money profile the Chief Finance Officer commented on the need for caution as the manner by which the information was presented by local authorities had a major impact on how it could be interpreted. He added that the last four years had seen a dramatic improvement in the time taken to process claims (falling from 55 to 19 days) despite a 26% increase in workload the previous year and another 20% increase in the current year. Further, the workload increase, which had been mirrored nationally, had seen deterioration in the performance of other local authorities. The Ernst & Young Director commented that, whilst he acknowledged these developments and that the Council's direction of travel was positive, the number of processing errors remained high. He also confirmed that he expected to issue an unqualified audit opinion on the Statement of Accounts and the Value for Money conclusion prior to 30 September.

A Member raised a number of questions over the Council's use of a particular contractor and the employment of interim staff from that contractor. He thanked the Chief Finance Officer and other staff for the additional information supplied prior to the meeting but expressed the view that the possibility existed that the current employment arrangements regarding consultancy staff could give rise to potential issues for the Council. In response, the Chief Finance Officer explained that there was no requirement to disclose payments made to individual suppliers within the accounts. Following discussion the Chief Finance Officer suggested that a review should be conducted of the relevant Council procedures. The review would be conducted by the Head of Internal Audit and Risk. The Committee welcomed this suggestion.

## **RESOLVED**

- 1 that the 2012/13 Statement of Accounts for Central Bedfordshire Council, as set out at Appendix A to the report of the Chief Finance Officer, be approved;**
- 2 that the draft Letter of Representation, as set out at Appendix B to the report of the Chief Finance Officer, be approved for submission**

**to the Council's external auditor, Ernst & Young LLP, and that the Chairman of the Audit Committee and the Chief Finance Officer be authorised to sign it;**

- 3 that the Audit Committee record its thanks to the officers for the work undertaken in the preparation of the Statement of Accounts;**
- 4 that the Head of Internal Audit and Risk carry out a review of Council procedures relevant to the employment of contractors and consultancy staff.**

**NOTED**

**the Audit Results Report from Ernst & Young LLP setting out the results of its 2012/13 audit.**

A/13/67

**LG Sector Update**

The Committee received a sector information paper on local government financial issues from Ernst & Young LLP.

Arising from the inclusion of an article on the national Local Government Pension Scheme review a Member, who sat on the Pension Fund Committee administered by Bedford Borough Council, commented that, whilst Central Bedfordshire Council was able to receive updates on national developments in the Scheme, there was no opportunity available for the Council to receive reports from the Pension Fund Committee on local developments.

**NOTED**

**the Local Government Sector information paper.**

**RESOLVED**

**that consideration be given to the possibility of a regular report being submitted to Council on matters of interest arising from the deliberations of the Pension Fund Committee administered by Bedford Borough Council.**

A/13/68

**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 2013/14 for the period up to the end of August 2013.

The report set out progress on the following 2013/14 Internal Audit plan matters:

- Managed Audits
- Other Audit Work

- National Fraud Initiative (NFI)
- Fraud and Special Investigations
- Schools
- Public Sector Internal Audit Standards
- Performance Management

The Head of Internal Audit and Risk introduced the report and advised the meeting that, with regard to the 2012/13 Managed Audit reviews, the final report for IT Disaster Recovery had now been issued and had received limited assurance. She also drew Members' attention to the approach to be taken for the 2013/14 Managed Audit reviews. The meeting noted that this remained unchanged from previous years with the exception that, for each review, reporting would be in one phase rather than two.

**NOTED**

**the progress made against the 2013/14 Internal Audit Plan.**

A/13/69

**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 August 2013.

The Head of Internal Audit and Risk explained that, in order to ensure that the risk register remained appropriate and correctly worded, a detailed refresh of the strategic risk register was in progress. As a result a detailed summary of the updated risks and their resulting risk scores had still to be developed and a dashboard summary had not been attached to the Head of Internal Audit and Risk's report as was the norm.

Members noted that a detailed update reflecting the revisions outlined in the Head of Internal Audit and Risk's report would be presented to the next meeting of the Committee.

**NOTED**

**the overview of the Council's risk position as at August 2013.**

A/13/70

**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.

The Head of Internal Audit and Risk advised Members that, of the two outstanding high priority recommendations made prior to April 2012, the recommendation relating to the 2009/10 Payroll Audit had now been addressed

and the revised processes would be reviewed as part of the 2013/14 Audit Plan to provide assurance that the new procedures were robust.

With regard to the remaining high priority recommendation, which related to the 2009/10 SAP Access and Security (including IT Disaster Recovery), the meeting noted that work was in progress to address it. Further, in order to enable the Committee to monitor the progress made, the recommendation had been broken down into a number of individual activities. An update on the progress made would be provided at future Committee meetings.

In relation to the above issue the Chairman referred to Appendix A to the Head of Internal Audit and Risk's report and requested that plain English be used in future reports.

**NOTED**

**the report on the high risk recommendations arising from Internal Audit reports and the progress made in implementing them.**

(Note: The meeting commenced at 9.30 a.m. and concluded at 10.27 a.m.)

Chairman .....

Dated .....