
Meeting: Council
Date: 12 June 2014
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.

Advising Officer:

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(S):

1. That the Council notes the work activity of the Audit Committee.

Background

10. Central Bedfordshire Council has within its Constitution a requirement to have in place an Audit Committee. 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 2013/14.
11. Throughout the year the Committee has continued to make a positive contribution to the Council's overall governance and control arrangements, including risk.

Membership and Meetings

12. There are seven members of the Audit Committee The Committee is chaired by Councillor Mike Blair, and Councillor David Bowater serves as vice chairman. There were some revisions to the membership of the Committee during the year.
13. The Audit Committee has met formally on five occasions since the start of the financial year.

Internal Audit Activity

14. The Committee has continued to monitor the work of Internal Audit. During the year, the Audit Committee:
 - Considered and approved the 2013/14 Internal Audit Strategy, Strategic Audit Plan and Annual Plan. 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. The Annual Audit Plan for 2013/14 represented the final year of the three year strategic plan.

- Considered the requirements of the new Public Sector Internal Audit Standards (PSIAS) which became effective from April 2013, along with an action plan produced by the Head of Internal Audit and Risk, aimed at ensuring future full compliance with the standards. An updated Internal Audit Charter, reflecting the PSIAS was also considered and endorsed by the Audit Committee at its meeting in January 2014.
- Considered the Internal Audit Annual Report 2012/13, 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, in general, 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.
- Received regular internal audit progress reports 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. Following a specific request from a Committee member, a report was produced on the employment of consultants and presented to the March meeting.
- Received regular reports monitoring the progress made against the implementation of high risk recommendations arising from Internal Audit inspections. The Committee has noted that the number of high risk recommendations that remain outstanding has reduced during the course of the year.
- Approved the Internal Audit Plan for 2014/15 at its last meeting of the calendar year

Activity relating to Financial Reporting

15. During the year, the Audit Committee:

- Received a presentation on the draft 2012/13 Statement of Accounts at the 24th June 2013 meeting. All council members were invited and many took the opportunity to pose questions relating to the financial statements
- Formally approved the 2012/13 final Statement of Accounts at the 23rd September 2013 meeting, following the audit.
- Considered, at the 13th January 2014 meeting, a report by the Chief Finance Officer which summarised key changes in the Statement of Accounts for 2013/14 and internal procedures for producing the statements.

External Audit Issues

16. The Committee has monitored the work of the Council's external auditors. During the year, the Audit Committee:
- Considered the Ernst and Young External Audit Plan which set out the proposed audit approach and scope for the 2012/13 audit.
 - Received and considered regular external audit progress reports
 - Received and considered the Audit Fee Letter from Ernst and Young, setting out the audit and certification fees for 2013/14
 - Considered the Certification of Claims and Returns Annual Report 2012/13, and
 - At the last meeting of the calendar year, considered a report on the approach to the delivery of the 2013/14 audit.
17. Ernst and Young's Results Report was also received by the Committee in September 2013. 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 2014, which also confirmed that the Council had made proper arrangements to secure economy, efficiency and effectiveness – Value for Money - in its use of resources.

Annual Governance Statement

18. The Committee considered the draft Annual Governance Statement at its meeting in June, and, subject to minor amendment, 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 2012/13 Statement of Accounts in September 2013.

Risk Management Activity

19. 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

20. 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.

21. At its March 2014 meeting, the Committee considered a report on Housing Benefit and Council Tax Support Fraud which updated the Committee on the work of the Benefit Fraud Investigation Team. Further regular updates on the team's work are to be presented to the Committee. The meeting also considered the planned implementation of the National Single Fraud Investigations Service (SFIS), and the implications for the Council.

Other Matters of Interest

22. 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 Public Sector Internal Audit Standards, revisions to the CIPFA Code of Practice, and other issues of interest such as Whole Place Community Budgets, Public Health updates, the Local Audit and Accountability Act, and the Better Care Fund. Where appropriate, the Committee has sought responses 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 and the external auditors are to be thanked for their various contributions.

Conclusion

23. 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 statutory financial reporting process.
24. In discharging its role, the Committee has been supported by Internal Audit and Risk, the external auditors, and Finance staff.

Appendices: None

Background Papers:

Location of papers: Priory House, Chicksands, Bedfordshire