

## CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Chicksands, Shefford on Monday, 30 March 2015

### PRESENT

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

Cllrs K M Collins  
N B Costin

Cllrs D J Lawrence  
A Zerny

Apologies for Absence: Cllr R D Berry

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

Officers in Attendance: Mr L Manning Committee Services Officer  
Mr G Muskett Head of Revenues & Benefits  
Ms K Riches Head of Internal Audit & 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

The Committee stood in silence in memory of Councillor A Shadbolt who had died on 23 March 2015.

A/14/40. **Minutes**

### RESOLVED

**that the minutes of the meeting of the Audit Committee held on 12 January 2015 be confirmed and signed by the Chairman as a correct record.**

A/14/41. **Members' Interests**

None.

A/14/42. **Chairman's Announcements and Communications**

Aware that this meeting was the last in the current municipal year and the last before the forthcoming elections the Chairman took the opportunity to thank

both the Members and the officers for their contributions which, he felt, had resulted in the Committee carrying out its role in an effective and efficient manner.

A/14/43. **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/14/44. **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/14/45. **Audit Plan 2014/15**

Members considered a report from Ernst & Young LLP which provided the basis for the Audit Committee to review the company's proposed audit approach and scope for the 2014/15 audit. The audit approach and scope would be 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 also to ensure that Ernst & Young's audit was aligned with the Committee's service expectations. The Audit Plan also summarised the company's initial assessment of the key risks which drove the development of an effective audit for the Council and outlined the company's planned audit strategy in response to those risks.

The Ernst & Young Director introduced the report and highlighted particular issues for Members' attention. Under 'Financial Statement Risks' he referred to accounting for schools and the viewpoint of the Chartered Institute of Public Finance and Accountancy (CIPFA), as contained in its Code of Practice on Local Authority Accounting in the United Kingdom 2014-15, on this matter. The Code required the recognition of schools' property, plant and equipment on local authority balance sheets and he emphasised that this change represented an accounting exercise only and would have no other impact. In response to a query by the Chairman the Chief Finance Officer stated that, although the CIPFA Code had clarified matters to a degree, some ambiguity remained and different external auditors had adopted a different stance on what should be included on local authority balance sheets.

The Ernst & Young Director reminded the meeting that the Audit Commission would cease to operate the following day though the external auditor contracts awarded would continue for at least a further two years and, possibly, up to five. He then referred to the agreed external audit fees and advised that the planned fee for 2014/15 remained the same as the actual fee for 2013/14 subject to an adjustment for business rates. The Ernst & Young Director also referred to the fee for the audit certification of the Teachers' Pensions return.

He explained that this work no longer fell within the Audit Commission's certification regime and, instead, was the outcome of a separate agreement with the Council. In response to a query by the Chairman the Ernst & Young Director emphasised that this was not consultancy work but audit work undertaken to meet a statutory requirement. Although the work could be carried out by any suitable auditor, it was simply more efficient for Ernst & Young to do so.

## **NOTED**

### **the Audit Plan for the year ending 31 March 2015.**

#### **A/14/46. External Audit Progress Report**

Members considered a report from Ernst & Young LLP which provided an update on the progress made by the company since the last meeting of the Audit Committee in carrying out the Council's 2014/15 audit. The report also included, as appendices, two briefing documents which covered issues which might have an impact on the Council, the local government sector and audits undertaken by Ernst & Young.

The Ernst & Young Manager introduced the report and advised Members that the Audit Commission had now published the fees for 2015/16. The Commission's fee letter would be submitted to the next meeting of the Committee for consideration but, in the meantime, she was able to advise that the fee figure had been substantially reduced from £185,955 for 2014/15 to £139,466 for 2015/16.

Turning next to the local government audit committee briefing documents appended to the report, the Ernst & Young Manager first worked through the January briefing document highlighting matters of particular interest. Amongst the issues raised the meeting noted the fundamental change to the measurement basis for the transport infrastructure assets which would affect all highways and non-highways authorities with material transport infrastructure assets from 1 April 2016. It was estimated that the move to the use of depreciated replacement cost in place of the current depreciated historic cost would add at least £200 billion to the net worth of local authority balance sheets.

The Ernst & Young Manager then introduced the March briefing document and referred to the item on the good reporting of governance through the annual governance statement and the conclusion that continued focus should be put on making annual reports more helpful and understandable for stakeholders. The Executive Member for Corporate Resources reminded the meeting that the Chief Finance Officer and his team had already carried out work to make the accounts easier to understand and requested that this be formally recognised by the Committee.

**NOTED**

- 1 the report on the progress of External Audit work on the 2014/15 audit;**
- 2 the work undertaken by the Chief Finance Officer and his team to make the Council's accounts more accessible.**

A/14/47.

**Implementation of a Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments**

The Committee considered a report which set out a proposed new approach to verifying claims for Housing Benefit and Local Council Tax Support in the form of a Risk Based Verification (RBV) Policy and sought the Committee's approval of the new Policy.

The Chairman reminded Members that should they need to discuss the content of the exempt Appendix A to the report, which set out the Policy and defined the risk categories and the checks required for each, it would be necessary to exclude the press and public under section 100A of the Local Government Act 1972.

The Head of Revenues and Benefits introduced the report, Members noting that the current assessment process for Housing Benefit and Local Council Tax Support claims assumed all customers to be of the same risk level with regard to fraud or error. In contrast Risk Based Verification, which was already in use at a large number of other local authorities, used a complex mathematical model to calculate a risk profile for each customer and claims could be allocated a risk category (high, medium or low) prior to assessment and payment. This would allow the targeting of the Council's resources and a corresponding reduction in the time required to process applications and staffing requirements.

The Head of Revenues and Benefits added that, if adopted, the Policy would be monitored by both internal and external auditors to ensure its correct implementation and it was also proposed that the Policy be submitted to the Audit Committee for an annual refresh.

In response to Members' questions the Head of Revenues and Benefits explained that the system adapted to changes, for example in local demographics and the proportion of claimants in each risk category.

Some concern was expressed at the response to customers as the result of inaccuracies within the social security system that only became apparent as the result of a claim. In response the Chief Finance Officer assured Members that RBV identified error as well as fraud and that any response would therefore be proportionate.

## RESOLVED

- 1 that the Risk Based Verification Policy attached at exempt Appendix A to the report of the Chief Finance Officer be approved and adopted for Housing Benefit and Local Council Tax Support assessments;
- 2 that the proposed Audit Committee work programme for the municipal year 2015/16, as attached at Appendix A to the report of the Committee Services Manager and Committee Services Officer on this matter, be amended to include an annual refresh of the Risk Based Verification Policy for Housing Benefit and Local Council Tax Support assessments.

(Note: Minutes A/14/52 and A/14/53 below also refer).

### A/14/48. **2015/16 Internal Audit Plan**

The Committee considered a report on the 2015/16 Internal Audit Plan. A copy of the Plan was attached at Appendix A to the report.

The Head of Internal Audit and Risk introduced the report and reminded Members that the Committee had approved the Strategic Audit Plan covering the three years 2013/16 at its meeting on 8 April 2013 (minute A/13/45 refers). The Plan before Members therefore represented the third and final year of the three year Plan which had been revisited and updated following discussion with senior officers.

The Head of Internal Audit and Risk referred to the approach adopted in preparing the 2015/16 Internal Audit Plan and to the discussions with Ernst & Young LLP, the Council's external auditors, on the delivery of the fundamental systems audits. She also drew Members' attention to summary of the key changes for 2015/16 within the report.

Turning next to the formation of Corporate Fraud Team, initially discussed at the Committee's meeting on 22 September 2014 (minute A/14/20 refers), the Head of Internal Audit and Risk reported that an outline work programme for the first year had been developed and was included at Appendix B to the report. The work programme would be further developed once the Corporate Fraud Team was operational.

## RESOLVED

**that the 2015/16 Internal Audit Plan, as set out at Appendix A to the report of the Chief Finance Officer, be approved.**

### A/14/49. **Internal Audit Progress Report**

The Committee considered a report outlining the progress made on Internal Audit work against the 2014/15 Audit Plan up to the end of February 2015.

The following matters were considered:

- Background
- Fundamental Systems Audits
- Other Audit Work
- National Fraud Initiative (NFI)
- Fraud and Special Investigations
- Schools
- Performance Management

The Head of Internal Audit and Risk introduced the report. She drew Members' attention to the postponement of the review of timesheets processed through Employee Self Service (ESS) until 2015/16 following discussions with Human Resources.

The Head of Internal Audit and Risk also referred to the analysis of the performance indicators and stated that they were generally consistent with the last financial year. She then referred to Performance Indicator KP104 which related to measuring the time taken for Internal Audit to receive a response from the auditee to the draft report and stated that, although the target fell below that achieved overall for 2013/14, the period up to the end of February 2015 represented an improvement on the position reported for the period as at the end of November 2014. The Head of Internal Audit and Risk stated that discussions were being held with directorates regarding improvements to their response times.

#### **NOTED**

**the progress made against the 2014/15 Internal Audit Plan.**

#### A/14/50. **Risk Update Report**

The Committee considered a report which provided an overview of the Council's risk position as at March 2015.

The Head of Internal Audit and Risk introduced the report, including the Risk Register Dashboard attached at Appendix A to the report. She drew Members' attention to the key revisions relating to the following:

- strategic risks
- operational risks
- emerging risks

The Committee noted that the Council's Risk Management Strategy would be reviewed during 2015/16 to ensure that it reflected current issues.

A Member referred to the addition of a top scoring risk within Children's Services relating to the risk of failing to manage and secure information leading to security alerts and privacy breaches and sought clarification as to why this

risk had been added. The Head of Internal Audit and Risk explained that such breaches had occurred and the risk had been added in response to these. In reply to the Member's request for further information the Chief Finance Officer undertook to supply him with details relating to the scale and nature of the breaches.

**NOTED**

**the strategic and operational risks facing Central Bedfordshire Council as set out in the Risk Register Dashboard attached at Appendix A to the report of the Chief Finance Officer and Head of Internal Audit and Risk.**

A/14/51. **Tracking of Internal Audit Recommendations**

The Committee considered a report which summarised the high priority recommendations arising from Internal Audit reports. The report also outlined the progress made in implementing them. The Head of Internal Audit and Risk drew Members' attention to the decreasing number of high priority recommendations that remained outstanding and referred in particular to the Information Technology Disaster Recovery which formed part of the 2009/10 SAP Access and Security audit. She advised that the incoming Chief Information Officer had undertaken to deliver a refreshed and renewed Disaster Recovery Plan by autumn 2015.

**NOTED**

**the report setting out the high priority recommendations arising from Internal Audit reports and the progress made in implementing the recommendations to date.**

A/14/52. **Work Programme**

Members considered a report which set out the Committee's work programme for today's meeting and the proposed work programme for the 2015/16 municipal year.

The Committee was aware that it had earlier agreed to amend the work programme by adding the annual review of the Risk Based Verification Policy (RBV) for Housing Benefit and Local Tax Support assessments to the meeting items for consideration on 11 January 2016 (minute A/14/47 above refers).

**RESOLVED**

**that the proposed Audit Committee work programme for the municipal year 2015/16, as attached at Appendix A of the report of the Committee Services Manager and Committee Services Officer and subsequently amended by the Committee to include an annual refresh of the Risk Based Verification Policy for Housing Benefit and Local Tax Support assessments, be approved.**

A/14/53. **Implementation of a Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments**

Minute A/14/47 above refers.

A/14/54. **Financial Controller**

The Chief Finance Officer advised the meeting that the Council's Financial Controller, Mr Nisar Visram, was leaving the Authority to take up a post at Wycombe District Council.

**RESOLVED**

**that the thanks and appreciation of both the Audit Committee and the Chief Finance Officer for the work undertaken by Mr Visram as the Council's Financial Controller be recorded.**

(Note: The meeting commenced at 10.00 a.m. and concluded at 11.03 a.m.)

Chairman .....

Dated .....