

Audit Committee Activity – 2014/15 Annual Report

Report of Chairman of the Audit Committee, Cllr Mike Blair

Contact Officer: Kathy Riches, Head of Internal Audit and Risk

Purpose of this report:

This report to Council summarises the activities of the Audit Committee during the 2014/15 financial year, as required under the Audit Committee's Terms of Reference.

RECOMMENDATIONS

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

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny, as the Constitution requires a report direct to full Council.

Background

2. Central Bedfordshire Council has within its Constitution a requirement to have in place an Audit Committee. Paragraph 4.2.2 of the Audit Committee's Terms of Reference requires an annual report to be made by the Chairman of the Audit Committee to Council on the Committee's activities. This report covers the Committee's activity during 2014/15.
3. Throughout the year the Committee has continued to make a positive contribution to the Council's overall governance and control arrangements, including risk management.

Membership and Meetings

4. There are seven members of the Audit Committee. During 2014-15, the Committee was chaired by Councillor Mike Blair, and Councillor David Bowater served as vice chairman. Although there were no revisions to the membership of the Committee during the year, there were two revisions to the named substitutes.
5. The Audit Committee has met formally on four occasions since the start of the financial year.

Internal Audit Activity

6. The Committee has continued to monitor the work of Internal Audit. During the year, the Audit Committee:
 - Considered the Internal Audit Annual Report 2013/14, 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.
 - 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 2015/16 at its last meeting of the calendar year
7. In addition, the Chair of the Audit Committee contributed to the Chief Finance Officer's assessment of the adequacy of the Council's internal audit arrangements.

Activity relating to Financial Reporting

8. During the year, the Audit Committee:

- Received a presentation on the draft 2013/14 Statement of Accounts at the June 2014 meeting. All council members were invited and many took the opportunity to pose questions relating to the financial statements
- Considered the 2013/14 final Statement of Accounts at the September 2014 meeting, following the external audit. These were subsequently approved and signed by the Chair of the Audit Committee.
- Considered, at the January 2015 meeting, a report by the Chief Finance Officer which summarised key changes in the Statement of Accounts for 2014/15 and internal procedures for producing the statements.

External Audit Issues

9. The Committee has monitored the work of the Council's external auditors. During the year, the Audit Committee:

- 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 2014/15
- Considered the Certification of Claims and Returns Annual Report 2013/14, and
- At the last meeting of the calendar year, considered a report on the approach to the delivery of the 2014/15 audit.

10. Ernst and Young's Results Report was also received by the Committee in September 2014. 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 circulated to members in October 2014. This 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

11. The Committee considered the draft Annual Governance Statement at its meeting in June, and approved it as a basis for submission to the Leader and Chief Executive to be formally signed. 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 2013/14 Statement of Accounts in September 2014.

Risk Management Activity

12. 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

13. 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.
14. During 2013/14 the Committee had considered a report on Housing Benefit and Council Tax Support Fraud which updated the Committee on the work of the Benefit Fraud Investigation Team and also considered the planned implementation of the National Single Fraud Investigations Service (SFIS), and the implications for the Council. In September 2014 the Committee considered a report which provided an update on the arrangements to implement SFIS, summarised the findings of an internal review of existing counter fraud arrangements and set out the proposed approach to counter fraud activity across the Council following the transfer of CBC staff to the Department for Work and Pensions (DWP). This included the proposal to establish a Corporate Fraud Team. The committee endorsed the approach.
15. At its March 2015 meeting, the Committee considered and approved a Risk Based Verification Policy (RBV) for Housing Benefit and Local Council Tax Support assessments, which is intended to improve the efficiency of the assessment and processing of Housing Benefit and Council Tax Support claims and reduce the risk of fraud and error. The policy will be refreshed annually and submitted to the Committee for approval.

Impact of New Developments and Legislation

16. 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 economic and public sector issues, accounting, auditing and regulatory matters such as the Future of Local Audit, accounting for schools, Business Rates, Welfare Reform 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.
17. At its June 2014 meeting, the Committee received an update on recent developments in respect of the Local Government Pension Scheme, which explained the governance arrangements and outlined the Fund's position. A further update was presented to the January 2015 Committee.

Council Priorities

18. 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.

Corporate Implications

Legal Implications

19. None directly from this report.

Financial Implications

20. None directly from this report.

Equalities Implications

21. None directly from this report.

Conclusion

22. 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.
23. In discharging its role, the Committee has been supported by Internal Audit and Risk, the external auditors, and Finance staff.

Appendices

None.

Background Papers

None.