

Central Bedfordshire Council

Council

21 July 2016

Audit Committee Activity – 2015/16 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 2015/16 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 2015/16.
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.
5. The Audit Committee normally meets formally on a quarterly basis. This report summarises the activity of the three meetings held during the 2015/16 calendar year, along with the meeting for the fourth quarter, which was held on 4th April 2016.

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 2014/15, 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 continued to reduce during the course of the year.
 - Approved the 2016/19 (3 Year) Internal Audit Plan at the April 2016 meeting.

7. In addition, the Committee considered the outcome of the external assessment of Internal Audit by CIPFA against the Public Sector Internal Audit Standards (PSIAS), which was undertaken during January 2016. The standards require periodic self-assessments and an assessment by an external person every five years. The independent external assessment should be undertaken by an appropriately qualified assessor who is independent of the organisation. CIPFA is one of the professional bodies who sets internal audit standards for public bodies and provides professional guidance on the standards as well as other aspects of internal audit, and has experience in conducting such reviews. The opinions of both the Chair and Vice Chairman of the Audit Committee were sought as part of this comprehensive review. This assessment concluded that the work of Internal Audit was in compliance with the required professional standards.

Activity relating to Financial Reporting

8. During the year, the Audit Committee:
- Received a presentation on the draft 2014/15 Statement of Accounts at the June 2015 meeting. All council members were invited and many took the opportunity to pose questions relating to the financial statements
 - Considered the 2014/15 final Statement of Accounts at the September 2015 meeting, and the Letter of Representation, following the external audit. These were subsequently approved and signed by the Chair of the Audit Committee.
 - Considered, at the January 2016 meeting, a report by the Chief Finance Officer which summarised key changes in the Statement of Accounts for 2015/16.

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 2015/16
 - Considered the Certification of Claims and Returns Annual Report 2014/15, and
 - At the April 2016 meeting considered a report on the approach to the delivery of the 2015/16 audit.

10. Ernst and Young's Annual Results Report was also received by the Committee in September 2015. 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 Committee in January 2016. This also confirmed that the Council had made proper arrangements to secure economy, efficiency and effectiveness – Value for Money - in its use of resources.

Public Interest Disclosure

11. The National Audit Office received concerns from a whistle blower over the approach the Council took to the recent procurement of Legal Services. As a result, the external auditors have undertaken a review of those procurement arrangements. They have engaged with the Chair of the Audit Committee in undertaking this review, and the Committee has received update reports on the progress of the investigation. The external auditor provided a verbal update to the April 2016 meeting and confirmed that correct procedures had been followed but his review had identified some areas for improvement with regard to documentation. The April 2016 Committee made arrangements to receive the final response from the external auditors at its June 2016 meeting.

Annual Governance Statement

12. 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 2014/15 Statement of Accounts in September 2015.

Risk Management Activity

13. 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

14. 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.
15. During 2015/16 the Committee has considered two reports updating the Committee on the progress of the Corporate Fraud Team. These updates have included examples of several recent investigations to illustrate the work undertaken.

16. At its April 2016 meeting, the Committee considered an update on the operation of the Risk Based Verification (RBV) Policy for Housing Benefit and Local Council Tax Support Assessments. The 2016/17 Policy was approved.

Impact of New Developments and Legislation

17. 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 economic forecast, National Living Wage, the Care Act 2014, and financial reporting changes, including accounting for Transport Infrastructure Assets and accounting and reporting by Pension Funds. Where appropriate, the Committee has sought responses on key issues for the Council identified from these updates. During another 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.
18. At its June 2015 meeting, the Committee received an update on recent developments in respect of the Local Government Pension Scheme, which provided an update on the governance arrangements and outlined the Fund's position. A further update was presented to the January 2016 Committee. These updates provided details of the performance of the fund, along with governance and regulatory changes, such as the introduction of Local Pension Boards.

Council Priorities

19. 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

20. None directly from this report.

Financial Implications

21. None directly from this report.

Equalities Implications

22. None directly from this report.

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

None.