

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 14, Priory House, Chicksands, Shefford on Monday, 9 January 2017

PRESENT

Cllr M C Blair (Chairman)

Cllrs F Firth
R Morris

Cllrs D Shelvey
A Zerny

Apologies for Absence: Cllrs P Downing
D J Lawrence

Substitutes: Cllrs R D Berry (In place of P Downing)
D Bowater (In place of D J Lawrence)

Officers in Attendance: Ms M Damigos Corporate Lawyer
Mr R Gould Head of Financial Control
Mr L Manning Committee Services Officer
Ms K Riches Head of Internal Audit & Risk
Mr C Warboys Director of Resources

Others In Attendance: Mr N Harris Executive Director – Ernst & Young
LLP
Ms C Ryan Manager – Ernst & Young LLP

AUD/16/29 Minutes

RESOLVED

that the minutes of the meeting of the Audit Committee held on 26 September 2016 be confirmed and signed by the Chairman as a correct record.

AUD/16/30 Members' Interests

Councillor Bowater declared an interest as an Appointed Governor of the South Essex Partnership University NHS Foundation Trust (SEPT).

AUD/16/31.Chairman's Announcements and Communications

The following announcements and communications were made:

- the Chairman informed Members that Kathy Riches, the Council's Head of Internal Audit and Risk, would be retiring from the Council and this was the last meeting of the Audit Committee which she would attend in that capacity. The Chairman asked that his thanks for Ms Riches' help and assistance, as well as that of her team, be recorded and he gave her his best wishes. The previous Chairman of the Committee and the Committee as a whole also expressed their gratitude and best wishes to Ms Riches.
- the Chairman welcomed two members of the Internal Audit team who were attending the meeting as observers.

AUD/16/32.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.

AUD/16/33.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.

AUD/16/34.Certification of Claims and Returns Annual Report 2015-16

The Committee considered the annual report from Ernst & Young LLP which summarised the results of the certification and other assurance work undertaken by the company.

Points and comments included:

- errors relating to income assessment and the misclassification of overpayments in the housing benefits subsidy claim had been extrapolated across the relevant cell totals and reported to the Department for Work and Pensions (DWP). A Member requested additional information and the Ernst and Young Manager undertook to share the letter containing this information with him
- a qualification letter had been issued by Ernst & Young with regard to the errors reported above. The meeting noted why such overpayments could occur

- some payroll providers were still failing to provide full assurance over the data they provided on teachers' pensions. Officers of the Council's Human Resources team contacted the relevant schools and made them aware of any shortcomings.

RECEIVED

the certification of claims and returns annual report 2015-16.

AUD/16/35 Annual Audit Letter for the Year Ended 31 March 2016

The Committee considered a report from Ernst & Young LLP which presented the Annual Audit Letter for the year ended 31 March 2016. The letter set out the key issues arising from the work undertaken by Ernst & Young as the Council's external auditor.

Points and comments included:

- the report before Members contained information of a largely historical nature. Detailed findings from Ernst & Young's audit work had already been submitted to the Committee on 26 September 2016 (minute AUD/16/22 refers)
- the Annual Audit Letter would be submitted to an earlier meeting of the Committee in future because the Statement of Accounts would be presented for approval to the July meeting.

RECEIVED

the 2015/16 Annual Audit Letter.

AUD/16/36 Audit Plan

The Committee considered a report which provided Members with a basis to review the proposed audit approach and scope for the 2016/17 audit by Ernst & Young LLP. The Ernst & Young Executive Director informed the meeting that the Plan was for the year ending 31 March 2017 and not 31 March 2016 as was stated on the front of the document.

Points and comments included:

- the Council's 'proper arrangements' when working with its Sustainability and Transformation Plan (STP) partners during 2016/17 had been identified as the only significant value for money risk. Ernst & Young had held discussions with senior management at the Council and had established that the latter was already actively engaged in the STP process

- Ernst & Young provided the external audit service for nearly all the bodies involved with the local STP and so it was able to provide a risk assessment of the individual partners as well as an overview of risk across the STP as a whole.

(Note: Councillor D Bowater declared an interest as a governor of the South Essex Partnership University NHS Foundation Trust (SEPT) at this point).

NOTED

the external Audit Plan for the year ending 31 March 2017.

AUD/16/37 Statement of Accounts 2016/17

The Committee considered a report by the Director of Resources which outlined any changes required in the preparation of the Council's statutory Statement of Accounts for 2016/17.

Points and comments included:

- reference was made to the possible extension of Public Rights (which included the rights of objection, inspection of the local authority accounting documentation and questioning of the external auditor with regard to the Statement of Accounts) under the Local Audit (Public Access to Documents) Bill to journalists as 'interested parties'. The Director of Resources stated that he believed that there were sufficient staff resources to cope with a possible increase in demand for information should the extension be approved
- in view of the introduction of earlier closedown requirements regarding the accounts for the year 2017/18 under the Accounts and Audit Regulations 2015 the Head of Financial Control advised of the measures that would be taken to deal with the impact of this requirement including assistance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The meeting was advised that, in addition, the Statement of Accounts for 2016/17 would be completed to the accelerated timetable as a trial run in preparation for the changes which would apply to the 2017/18 financial year.

NOTED

the changes required in the preparation of the Council's statutory Statement of Accounts for 2016/17.

AUD/16/38 Local Government Pension Scheme Update

The Committee considered an update on the governance of the Local Government Pension Scheme (LGPS) including the results of the 2016 actuarial valuation.

Points and comments included:

- the LGPS funding level in respect of the Council had remained unchanged since the 2013 valuation at 66% but the increase in liabilities and assets since that date had resulted in a net £28.8m increase in the value of the deficit to £217.6m
- lower than anticipated bond yields had been the most significant contribution to the increase in the financial deficit between March 2013 and March 2016 adding £37.2m towards the liabilities whilst lower than anticipated pay and price inflation had offset some of the growth in liabilities
- investment returns had been in line with the actuarial assumptions.

NOTED

the Local Government Pension Scheme update.

AUD/16/39 Revised Confidential Reporting Code

The Committee considered a report which set out proposed revisions to the Confidential Reporting Code to ensure that it was up to date and reflected current legislation and reporting channels within the Council. Members were aware that, although it was the Committee's responsibility to maintain an overview of the Code, any proposed revisions would need to be recommended to full Council for approval.

Points and comments included:

- the suggestion of additional revisions by the Chairman
- the need to make minor updates to the Code to ensure that it remained fully applicable at all times and the appropriate means of achieving this.

RECOMMENDATION TO COUNCIL

- 1 that the revised Confidential Reporting Code, as set out at Appendix A to these minutes, be approved;**
- 2 that paragraph 4.1.15 of Part E2 of the Constitution be amended to authorise the Director of Resources, in consultation with the Monitoring Officer, to undertake minor amendments to the Confidential Reporting Code.**

(Note: Subsequent to the meeting, the Monitoring Officer confirmed that suitable authorisation was already provided for within paragraph 9 of the Confidential Reporting Code and at paragraphs 4.2.74 and 4.2.76 of Part H3 of the Constitution, thereby enabling the Monitoring Officer to authorise and implement minor amendments to maintain the Code as up to date. On this

basis recommendation 2 above was not submitted to full Council for consideration).

AUD/16/40 Revisions to the Internal Audit Charter

The Committee considered a report which proposed the adoption of revisions to the Internal Audit Charter in compliance with the Public Sector Internal Audit Standards following the revision of the latter in April 2016.

Points and comments included:

- that future revisions to the document be track changed so that any proposed changes were readily apparent.

RESOLVED

that the proposed revisions to the Council's Internal Audit Charter, as set out within the revised copy of the Charter attached at Appendix A to the report of the Director of Resources, be approved.

AUD/16/41 Risk Update Report

The Committee considered a report which provided an overview of the Council's risk position as at December 2016.

Points and comments included:

- the Assets Team now had an effective monitoring system in place with regard to Operational Risk COMS040008 (Assets – Non realisation of capital receipts) and significant improvements had taken place over the past 18 months to two years. The capital receipt figure was coming close to budget this year and the Operational Risk could possibly be removed from the dashboard if the improvement was maintained for a suitable period.

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 Director of Resources.

AUD/16/42 Internal Audit Progress Report

The Committee considered a report outlining the progress made on Internal Audit work against the 2016/17 Internal Audit Plan up to the end of November 2016.

Points and comments included:

- the audit of Assets Compliance had resulted in the issue of a Limited Assurance Opinion because of concerns regarding the robustness of the management arrangements for those Council properties (non residential) which were not under the control of the Council's own Facilities Management Team
- following the investigation which had led the dismissal of an officer for the non banking of cash, it was noted that action was being taken to recover the missing money. A Member stressed the importance of avoiding the use of cash where ever possible because of the risk of fraudulent activity that it generated
- to date there were only approximately three local authorities which had decided not to opt in to the sector led arrangement for external auditor appointments.

NOTED

the progress made against the 2016/17 Internal Audit Plan.

AUD/16/43.Tracking of Internal Audit Recommendations

The Committee considered a report which summarised the high priority recommendations arising from Internal Audit Reports and the progress made in implementing them.

NOTED

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

AUD/16/44.Work Programme

Members considered a report which set out the Committee's proposed work programme for part of the 2016/17 municipal year and for the first meeting in the 2017/18 municipal year.

RESOLVED

that the proposed Audit Committee work programme for part of the 2016/17 municipal year and the first meeting of the 2017/18 municipal year, as attached at Appendix A of the report of the Committee Services Manager and Committee Services Officer, be approved.

(Note: The meeting commenced at 10.00 a.m. and concluded at 11.35 a.m.)

Chairman

Dated