

Central Bedfordshire Council

COUNCIL

Thursday, 20 July 2017

Audit Committee Activity - 2016/17 Annual Report

Report of: Cllr Mike Blair, Chairman of the Audit Committee
(Mike.Blair@centralbedfordshire.gov.uk)

Responsible Director(s): Charles Warboys, Director of Resources,
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Purpose of this report

1. This report to Council summarises the activities of the Audit Committee during the 2016/17 financial year, as required under the Audit Committee's Terms of Reference.

RECOMMENDATIONS

Council is asked to:

1. **note the work activity of the Audit Committee.**

Overview and Scrutiny Comments/Recommendations

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

Background

3. 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 2016/17.
4. 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

5. There are seven members of the Audit Committee. During 2016/17, the Committee was chaired by Councillor Mike Blair, and Councillor David Lawrence served as vice chairman.

6. The Audit Committee normally meets formally on a quarterly basis. This report summarises the activity of the four meetings held during the period June 2016 to April 2017.

Internal Audit Activity

7. The Committee has continued to monitor the work of Internal Audit. During the year, the Audit Committee:
 - a) Considered the Internal Audit Annual Report 2015/16, 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.
 - b) 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.
 - c) Received regular reports monitoring the progress made against the implementation of high priority recommendations arising from Internal Audit inspections.
 - d) Approved the updated 2017-19 (remaining 2 years) Internal Audit Plan at the April 2017 meeting.
 - e) Approved revisions to the Internal Audit Charter in January 2017 to ensure continued consistency with the updated Public Sector Internal Auditing Standards (PSIAS).
 - f) In response to a previous Internal Audit report, considered updates from ICT Management both at the September 2016 and April 2017 meetings setting out the progress made in the development and approval of an IT Disaster Recovery Plan.

Activity relating to Financial Reporting

8. During the year, the Audit Committee:
 - a) Received a presentation on the draft 2015/16 Statement of Accounts at the June 2016 meeting. All Council Members were invited and many took the opportunity to pose questions relating to the financial statements.

- b) Considered the 2015/16 final Statement of Accounts at the September 2016 meeting, and the Letter of Representation, following the external audit. These were subsequently approved and signed by the Chair of the Audit Committee.
- c) Considered, at the January 2017 meeting, a report by the Chief Finance Officer which summarised key changes in the Statement of Accounts for 2016/17.

External Audit Issues

- 9. The Committee has monitored the work of the Council's external auditors. During the year, the Audit Committee:
 - a) received and considered regular external audit progress reports
 - b) received and considered the Audit Fee Letter from Ernst and Young, setting out the audit and certification fees for 2016/17
 - c) considered the Certification of Claims and Returns Annual Report 2015/16, and
- 10. Ernst and Young's Annual Results Report was also received by the Committee in September 2016. 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 2017. This also confirmed that the Council had put in place proper arrangements to secure value for money in its use of resources.
- 11. Considered changes to the arrangements for the appointment of External Auditors following the closure of the Audit Commission and the end of the transitional arrangements together with the options available for arranging the first appointment of an External Auditor by 31 December 2017. The Committee unanimously supported the officer recommendation to opt in to procurement of external audit services through a Sector Led Body and recommended that approach to Council for approval.

Public Interest Disclosure regarding the Partnership the Council has entered into for Legal Services

- 12. Further to previous verbal updates to the Committee, at the June 2016 meeting the external auditors formally reported the findings from their investigation which concluded that there had been no unlawful actions. Some weaknesses in some aspects of the Council's written documentation and evidence to support the decision making process were identified.

Recommendations were made to address these weaknesses for any similar future procurement which have been accepted and implemented.

Revised Local Code of Corporate Governance

13. Considered and approved an updated Local Code of Corporate Governance at the April 2017 meeting to ensure continuing adherence to best practice following a revision to CIPFA's Delivering Good Governance in Local Government Framework in 2016 which defines the principles that should underpin the governance of every council.

Annual Governance Statement

14. 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 2015/16 Statement of Accounts in September 2016.

Risk Management Activity

15. 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

16. Considered an update on the work of the Corporate Fraud Team which included some examples of several recent investigations to illustrate the work undertaken.
17. At its April 2017 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 2017/18 Policy was approved.

Revised Confidential Reporting Code

18. Considered and approved revisions to the Confidential Reporting Code (Whistle Blowing Policy) at the January 2017 meeting.

Impact of New Developments and Legislation

19. 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, the accelerated deadlines regarding the closure and auditing of financial statements for 2017/18, accounting and reporting by Pension Funds, accounting for Transport Infrastructure Assets for which the Committee was informed of the initial delay and then cancellation of the requirement to amend accounting for these assets. 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.

20. At its June 2016 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 2017 Committee. These updates provided details of the performance of the fund along with governance and regulatory changes.

Council Priorities

21. 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

22. None directly from this report.

Financial and Risk Implications

23. None directly from this report.

Equalities Implications

24. None directly from this report.

Conclusion and next Steps

25. Through its work the Audit Committee has:
 - a) provided independent assurance on the adequacy of the risk management framework and associated control environment;
 - b) 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

c) has overseen the statutory financial reporting process.

26. 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

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