

CENTRAL BEDFORDSHIRE COUNCIL

At a meeting of the **AUDIT COMMITTEE** held in Room 15, Priory House, Monks Walk, Shefford on Wednesday, 27 September 2017

PRESENT

Cllr M C Blair (Chairman)
Cllr D J Lawrence (Vice-Chairman)

Cllrs D Bowater
P Downing
R Morris

Cllrs D Shelvey
A Zerny

Officers in Attendance:	Ms M Damigos Mr A Dodridge	Corporate Lawyer, LGSS Law Finance Manager – Financial Risk and Control
	Mr S Dykes Mr D Galvin Mr C Horne Mr L Manning Mr C Warboys	Information Security Manager Assistant Director Finance Head of Internal Audit and Risk Committee Services Officer Director of Resources
Others In Attendance:	Ms C Ryan	Manager – Ernst & Young LLP

AUD/17/15 Minutes

RESOLVED

that the minutes of the meeting of the Audit Committee held on 29 June 2017 be confirmed and signed by the Chairman as a correct record.

AUD/17/16 Members' Interests

Councillor Bowater declared an interest as both a Central Bedfordshire Council appointee to the Council of Governors on the Essex Partnership University NHS Foundation Trust (EPUT) and as a member of an EPUT committee set up to appoint an external auditor to the Trust and which had selected Ernst & Young LLP (see also minute AUD/17/20 below).

AUD/17/17 Chairman's Announcements and Communications

All attendees were asked to silence their mobile telephones.

AUD/17/18 Petitions

No petitions were received from members of the public in accordance with the Public Participation Procedure as set out in Part 4G of the Constitution.

AUD/17/19 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 Part 4G of the Constitution.

AUD/17/20 External Audit Results Report 2016/17

Members considered a report from Ernst & Young LLP, the Council's external auditors, which set out the outcomes from the external audit of the Council's 2016/17 financial statements and the conclusion of work to review the Council's arrangements for securing value money in its use of resources. The report also set out Ernst & Young's proposed audit opinion, findings and any recommendations requiring consideration prior to the approval of the 2016/17 accounts.

Points and comments included:

- Ernst & Young had discussed the level of indexation applied to the Council's dwellings with the finance officers. Following this discussion it had been agreed that the reflection of a 10% indexation would more accurately reflect the movement in the market based on a range of industry data and consultation by the external auditors with the company's own valuation experts. This had led to a material change of £40M which was reflected in Note 14 of the financial statements.
- The Director of Resources explained that the above valuation of the Council's dwellings was largely academic as the Council had no plans to dispose of its housing stock. Should this situation change then a valuation and due diligence exercise would be carried out. He acknowledged that discussion should have taken place earlier to avoid the matter arising as an issue and he undertook to do so in the future.
- The Director of Resources pointed out that the debate had also led to Ernst & Young taking the issue to consider in a wider context. In response to a query he added that there had been an impact in the form of increased insurance.
- Consideration was given to a significant value for money (VFM) risk in the form of the Council's work with its Sustainability and Transformation Plan (STP) partners. The Director of Resources reported that the first meeting of finance directors from health and local authorities had recently taken place as part of the attempt to work more closely and exchange information. The meeting noted that the unique situation that existed as a result of Central Bedfordshire Council's Chief Executive chairing the local STP.

(Note: At this point in the proceedings Councillor Bowater declared an interest as both a Central Bedfordshire Council appointee to the Council of Governors on the Essex Partnership University NHS Foundation Trust (EPUT) and as a member of an EPUT committee set up to appoint an external auditor to the Trust and which had selected Ernst & Young LLP).

- The Ernst & Young Manager stated that the company was satisfied with the Council's arrangements for working with its STP partners and the involvement of the Council's Chief Executive as the chair of the STP reflected the robustness of these arrangements. As a result there was nothing to report. The Director of Resources stated that the Chief Executive continued to perform all his duties for the Council despite the additional responsibilities he had.
- The Ernst & Young manager expressed her thanks to the Council's finance staff and to the Council in general for the co-operation and assistance that the company had received and stated that the Council found itself in a positive position for the next financial year. The Chairman commented that the Council was well served by its finance staff.
- With regard to the preparation of the 2017/18 unaudited accounts and meeting the associated deadline the Director of Resources acknowledged that, whilst there had been some issues for 2016/17, these had provided a useful learning experience and he was confident that the Council would meet the May 2018 deadline. In response to a query he stated that no sanction was imposed on those councils who missed the current deadline and they were only 'named and shamed'.

NOTED

the External Audit Results Report from Ernst & Young LLP which set out the results of its 2016/17 audit.

AUD/17/21 2016/17 Statement of Accounts

The Committee considered a report by the Director of Resources and Section 151 Officer which presented the 2016/17 Statement of Accounts for approval. A copy of the Statement was attached at Appendix A to the report. In addition a schedule of changes to the Statement of Accounts, certified by the Director of Resources on 29 June 2017, was attached at Appendix B. Last, a draft Letter of Representation was attached at Appendix C. With regard to the draft Letter, however, Members also had before them a revised version which had been published and distributed on 20 September 2017 and which superseded that circulated with the agenda.

Points and comments included:

- That the majority of the changes were presentational. With the exception of the change in the valuation of the Council's housing stock

none of the items impacted on the financial position of the Council as reported on 31 March 2017.

- The Vice-Chairman's suggestion that a press release be prepared given the positive outcome contained in the report before members. The Chairman, on behalf of the Committee, expressed his thanks to the finance officers for their efforts.

RESOLVED

- 1 that the 2016/17 Statement of Accounts for Central Bedfordshire Council, as set out at Appendix A to the report of the Director of Resources and Section 151 Officer and incorporating those amendments set out in the Schedule of Changes at Appendix B to the report, be approved;**
- 2 that the Annual Governance Statement for 2016/17, previously approved at the meeting of the Audit Committee on 29 June 2017, be published with the 2016/17 Statement of Accounts;**
- 3 that the Chairman of the Audit Committee and the Section 151 Officer be authorised to sign the 2016/17 draft Letter of Representation, as set out in the supplement to the agenda dated 27 September 2017, and the Letter be submitted to the Council's external auditor, Ernst & Young LLP.**

AUD/17/22.Update on the General Data Protection Regulation

The Committee considered a report which provided an update on the General Data Protection Regulation (GDPR) which was due to become enforceable from 25 May 2018 after a two year transition period.

Points and comments included:

- A Data Protection Bill was scheduled to be considered by Parliament in September 2017 with the aim of incorporating the requirements of the GDPR into UK legislation.
- A GDPR Working Group had been set up within the Council to monitor and implement the requirements of the GDPR within the authority.
- Appendix A to the report set out the recommended actions from the Information Commissioner's Office (ICO) and the Council's current position in response. The Information Security Manager commented that that the ICO was also attempting to interpret the requirements of the Regulations.
- The Information Security Manager stated that the Council was well advanced in its efforts to ensure compliance with the legislation and he was confident that all requirements would be met in time.
- The Council's data protection training was due to be reviewed in early 2018 and the review would take into account the impact of the Regulation. In addition, briefings for Members would also be arranged. The Information Security Manager assured Members that they would be

kept informed of the impact of the Regulation and any related developments.

- Following comment by a Member regarding the publication of a member of the public's address on the Council's website and the resulting complaint the Corporate Lawyer explained that where there was a legal requirement the Council could still make such information available in the public domain.
- A query by the Vice-Chairman on the gathering of data through covert operations. In response the Corporate Lawyer explained that such information was gathered as part of an investigation and would be destroyed in line with due process. She added that a report was to be submitted to a forthcoming meeting of the General Purposes Committee on the Regulation of Investigatory Powers Act (RIPA) 2000, which regulated the powers of public bodies to carry out surveillance and investigation.

RESOLVED

that an update on the General Data Protection Regulation be submitted to the next meeting of the Audit Committee on 8 January 2018.

AUD/17/23 Annual Governance Statement 2016/17

The Committee considered a report on amendments made to the draft Annual Governance Statement and sought Members' approval of the amended Statement.

Points and comments included:

- The draft Annual Governance Statement had been approved on 29 June 2017 (minute AUD/17/8 refers). It had since been considered by the Council's External Auditors and, in view of the comments received, section 5 (Significant Governance Issues) of the Statement had been amended to clarify and explain the issues within it and how the Council was dealing with them in more detail.
- A track changed version of the updated Statement which illustrated the proposed amendments was attached at Appendix B to the report.

RESOLVED

that the amended draft Annual Governance Statement for 2016/17 be approved for submission to the Leader and Chief Executive to be formally signed off subject to first incorporating the tracked changes set out within Part 5 of the document.

AUD/17/24 Risk Update Report

The Committee considered a report which provided an overview of the Council's risk position as at August 2017.

Points and comments included:

- At the request by the Corporate Management Team (CMT) all risks in the Strategic Risk Register had been reviewed and updated. Because of the scale of the changes full details had not been included in the report itself but could be found within Appendix B to the report. Members requested that this format be continued for future reports and the Head of Internal Audit and Risk undertook to do so.
- A Member's request that there be consistency in naming the risk score indices.
- That the funding for unpaid monies to carers for overnight stays would largely be dealt with by the care organisations themselves not Central Bedfordshire Council.
- Operational Risks had been omitted from the officer's update pending a more detailed review of processes.

NOTED

the strategic risks facing Central Bedfordshire Council as set out in the risk Register Dashboard and Strategic Risk Register attached at Appendices A and B respectively to the report of the Director of Resources.

AUD/17/25 Internal Audit Progress Report

The Committee considered a report outlining the progress made on Internal Audit work against the 2017/19 Internal Audit Plan up to the end of August 2017.

Points and comments included:

- A new approach to school audit visits, with the aim of reducing the time taken per school review overall and specifically on site, would be piloted later in the current term.
- Arrangements were being finalised for matching the lot winners to local authorities under the process for appointing external auditors through Public Sector Audit Appointments (PSAA) Ltd. The results would be announced on 14 December 2017.
- The vacancy for an Audit Manager in Internal Audit remained. In addition a Senior Auditor had resigned although the position had been filled by an internal candidate who was due to take up the role in October 2017.
- The resourcing and staffing issues experienced by Finance over the last year had impacted negatively on the KPIs for the Quarter. Some planned audits had not been carried out though high priority areas had, and would be, covered. A review was underway to reprioritise outstanding work and consider the possible use of temporary resources. The Vice-Chairman advised the meeting of the measures taken by one of the legacy authorities to ensure that suitable temporary staff

resources were available should they be required. In response the Director of Resources stated that whilst such measures were an option the cost had to be balanced against the risk. He added that the resignation of the Senior Auditor had been completely unexpected.

- The Chairman's reference to the 'Limited' opinion given by the Internal Auditor to Maulden Lower School. He contrasted this to the description of the school as 'Good' by the Office for Standards in Education, Children Services and Skills (Ofsted). In response the Head of Internal Audit and Risk explained that the bodies concerned each had their own areas of interest within schools and commented accordingly. He added that the majority of schools had not received a limited opinion

NOTED

the progress made against the 2017/19 Internal Audit Plan.

AUD/17/26.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/17/27.Work Programme

Members considered a report which set out the Committee's work programme.

The Committee was aware that it had already approved the submission of a further update on the General Data Protection Regulation (GDPR) to its next meeting.

The Director of Resources took the opportunity to remind the meeting that, in order to meet the relevant Regulation, the unaudited statement of accounts would be submitted to a meeting of the Audit Committee to be held by the end of May 2018 and the audited statement of accounts would be brought before a meeting of the Committee by the end of July 2018.

The Director of Resources indicated that, in view of the low levels of non-Audit Committee Member attendance at the unaudited statement of accounts meeting he would need to give consideration as to whether it was worthwhile continuing with the related presentation.

RESOLVED

that the proposed Audit Committee work programme, as attached at Appendix A of the report of the Committee Services Officer, be approved subject to adding the submission of an update on the General Data Protection Regulation for consideration by the Audit Committee on 8 January 2018.

(Note: The meeting commenced at 10.00 a.m. and concluded at 11.37p.m.)

Chairman.....

Dated.....