



# Minutes

<b>Name of Meeting:</b>	Audit Committee
<b>Date of Meeting:</b>	16 March 2009
<b>Present:</b>	Councillors: R Gwynne Jones (Chairman), B Sadler, G Willey and R Younger
<b>Other Members In Attendance:</b>	Councillors: D Lawrence
<b>Others in attendance</b>	Debbie Hanson and Cathy O'Carroll, Audit Manager, Audit Commission

**08-09ac50 APOLOGIES**

Apologies for absence were submitted on behalf of Councillors Elford and Paul.

**08-09ac51 MINUTES**

The minutes of the meeting held on 15 December were approved and signed by the Chairman as a correct record.

**08-09ac52 DISCLOSURE OF INTERESTS**

There were no interests declared by Members'.

**08-09ac53 COMMUNICATIONS (IF ANY)**

There were no matters of communication.

**08-09ac54 ANNUAL AUDIT AND INSPECTION LETTER**

Debbie Hanson, District Auditor, presented the draft Annual Audit and Inspection Letter covering the 2007/08 audit and inspection work.

Attention was drawn to the key messages. During 2007/08 the Council continued to demonstrate 3 star overall performance. No direction of travel assessment had been undertaken in 2008 due to the impact of local government reorganisation. However, a review had been undertaken of the Council's performance in the year as demonstrated by performance indicators.

Audit Committee  
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The unitary transition itself and the Council's dedication of capacity to it had impacted on their ability to improve performance. Improvement as measured by performance indicators had been average compared to other County Councils although some had dropped below average. However, improvement had been seen in some of the Council's priority areas.

The 2008 Use of Resources (UoR) assessment again identified a marked improvement, with the overall UoR score increasing from two to three. This reflected improvements in both Financial Reporting and Internal Control theme scores and in particular strong performance in the areas external accountability and risk management. Data quality continued to be consistently above minimum requirements.

The Council had also continued to strengthen arrangements for the production of the annual accounts and an unqualified opinion and value for money conclusion were issued for the 2007/08 accounts.

During 2007/08 weaknesses in the key controls in the payroll system continued. While these were being addressed during 2008/09 Internal Audit also reviewed the new payroll system that came into operation on 1 April 2008. Although the report was still to be finalised it was understood that a limited assurance opinion had been proposed for 2008/09. In response to comments the Director of Resources explained that the issue had not arisen from historic weaknesses, which had been addressed, but from a control weakness arising from the implementation of the new SAP payroll system.

External Audit's work on the County Council's approach to local government reorganisation found many positives in the approach and action being taken to establish the new councils. There was evident commitment from the County Council to achieving successful implementation of re-organisation and ongoing strong public services.

The review of health equalities in Bedfordshire, part of a review of health inequalities across the East of England, found evidence of the willingness and commitment to tackle health inequalities in Bedfordshire. A number of recommendations, which were included in the AAIL, were agreed and will need to be taken forward by Bedford Borough and Central Bedfordshire, with other partners.

The District Auditor concluded by stating that the final Annual Audit and Inspection Letter would shortly be published and needed to be circulated to all members.

The Committee concluded by commending officers for their hard work in turning around the Council's position positively as evidenced by the content of the draft AAIL.

The Committee in receiving the draft Annual Audit and Inspection Letter  
**RECOMMENDED:**

**That the final Annual Audit and Inspection Letter 2007/08, now attached at Appendix A to these minutes, be submitted to and received by the County Council.**

08-09ac55      **EXTERNAL AUDIT PROGRESS PLAN 2009/09**

Cathy O'Carroll, Audit Manager, Audit Commission presented a position statement as at March 2009 on the 2009/09 External Audit Plan. It was noted that the outstanding work on the 2008/09 value for money conclusion, audit of the Council's final accounts and audit work on 2008/09 grant claims would be issued, once completed, to the new unitaries.

**RESOLVED:**

That the External Audit Plan Progress report for 2008/09 be received.

**08-09ac56 ANNUAL STATEMENT OF ACCOUNTS**

The Director of Resources introduced the Statement of Accounts for 2008/09 based on the third quarter closedown of the accounts at 31 December 2008.

The figures for the third quarter Statement of Accounts were based on information available as at 31st December 2008. While, therefore, figures may differ from the full year set of accounts when they are published in June 2009 these accounts presented a healthy organisation that is in control of its finances, has appropriate contingencies and reserves in place and has a strong balance sheet.

Attention was drawn to the highlights of the Statement set out in the Explanatory Foreword at page 2 of the accounts. Of specific note were:

- The robust financial management in place with a forecast underspend of £246k, a variation of only 0.1% against the budget requirement. (Since the figures for the third quarter report were produced, the position has continued to be monitored closely, and the forecast outturn is now a £47k overspend. The movement is mostly due to the recent additional pay award.)
- Reserves are at £13.7m which is line with the Budget Strategy agreed by the Council in February 2008. The overall level of earmarked reserves has reduced by £7.2m as existing reserves have been utilised for their intended purpose which is normal practice but new reserves have not been created at this time.
- There is a 'loss' on sale of assets of £69m. This is a technical accounting entry, having no effect on the general fund balances, and reflects the change in status of a number of schools becoming trust/foundation schools and consequently no longer being assets on the County's Balance Sheet.
- There has been little movement on the level of debt – some borrowing was taken in advance of the current financial year and there has been a general slow down in the capital programme and hence the financing required.

Whilst the third quarter close was an extensive exercise building on the one in 2007/08, the financial information was nevertheless incomplete, as it was based on information as at 31 December 2008. Specific attention was drawn to three key areas:

- There has been a significant downturn in the property market. The impact of this as at 31 March 2009 has not yet been assessed and the accounts

prepared at the end of June will doubtless include a significant 'impairment' and hence writing down of the value of fixed assets.

- There will be an offsetting entry to this as the 'additions' to asset values are also unknown at this time. There is always uncertainty as to the exact completion date of capital schemes and the position at 31 March 2009 has not been estimated at this point.
- The FRS17 (pension) adjustments have not been made to the accounts as the necessary information from the actuary is not available at this time.

The production of these accounts had also been used to bring forward actions that will enable the full year Statement of Accounts to be completed more swiftly. The completion of the year-end Statement of Accounts for Bedfordshire County Council is the responsibility of Central Bedfordshire, supported by Bedford Borough.

The Committee agreed that the accounts were a good foundation for the final accounts that will be produced by the end of June 2009. These will, in turn, be a robust basis for the new unitaries to disaggregate assets and balances. The County Council's legacy will, in this regard, be a robust foundation for sound financial control going into 2009/10.

The Committee concluded by paying tribute and appreciation for the hard work of all finance officers involved in the turnaround of the Council's financial position which had led to financial control procedures being embedded throughout the organisation and which had made the production of these three-quarter set of accounts possible and as robust as they are.

As the County Council will cease to exist on 31 March 2009 it was important that the Council have the last opportunity to consider the third quarter Statement of Accounts. It was therefore **RECOMMENDED**:

**That the County Council:**

- 1. considers the third quarter Statement of Accounts based on figures as at 31st December 2008.**
- 2. notes the robust financial position to be handed over to the successor authorities.**

## **08-09ac57 ANNUAL GOVERNANCE STATEMENT**

The Committee considered a report from the Assistant Director Corporate Governance seeking approval of the Annual Governance Statement which had been prepared following the annual governance review.

The Assistant Director Corporate Governance reported that the Annual Governance Statement had been produced following a review of the effectiveness of the governance framework in place during 2008/09. However, the Statement had been put together prior to the production of the annual statement of accounts and is informed by Internal Audit managed audit assurance work which covers the period up to December 31st 2008. Therefore the Statement may need to be revisited once fundamental systems assurance work has been undertaken for the final quarter of the year.

The Committee was informed that although some governance issues had been identified no action plan has been produced as it was more appropriate for the new unitary authorities to decide what action plan would be most appropriate going forward.

**RESOLVED:**

That the Annual Governance Statement attached as Appendix A to the submitted report be approved so that the Leader of the Council and the Chief Executive are in a position to sign the Statement and to enable the Statement to be presented to the County Council for approval.

**08-09ac58**

**CITIZENS SERVICES PARTNERSHIP  
OF ACCOUNTS**

**STATEMENT**

[The Chairman and Committee agreed to take the following item as urgent business on the grounds that the Audit Commission had recently asked the County Council to sign off the accounts of the Citizens Services Partnership and this was the last scheduled meeting of the Audit Committee of this County Council.]

The Committee considered a report of the Director of Resources seeking approval to the draft accounts for the Citizens' Service Partnership (CSP) for 2004/05, 2005/06 and 2006/07 prior to submission to the Audit Commission for inspection.

The Committee noted that the CSP arrangement between Bedfordshire County Council, Mid Bedfordshire District Council and South Bedfordshire District Council effectively ended on 21 July 2006. All residual cash balances had been distributed to the interested parties. The submitted sets of accounts represented the final financial records associated with the entity.

It was anticipated that an opinion would be issued by the Audit Commission before County Council business comes to a close on 31 March 2009. In the unlikely event that the audit requires amendments to the accounts as submitted delegated authority was sought for the Director of Resources in consultation with the Chairman of the Audit Committee to agree any changes required.

The Director of Resources explained that all efforts had been made to ensure the statements of accounts presented fairly the financial position of the CSP. However, due to concerns about the governance arrangements in place at the CSP there were reservations on the completeness and hence accuracy of the statements. For this reason certification of the accounts would be approved and signed off by the Director of Resources and the Chairman of Audit Committee with reservations.

The District Auditor reported that because of concerns with the governance arrangements and as value for money cannot be confirmed it was likely that a disclaimed audit opinion would be issued for the 2004/05, 2005/06 and 2006/07 accounts. For the 2005/06 accounts an adverse conclusion on the use of resources was likely. The Committee confirmed that it would not be presenting letters of representation to the District Auditor.

The Committee was advised that District Audit have to produce the annual governance reports for the accounts before the opinions can be issued and this needed to be done by the end of March 2009. In view of the timescale and as there were no further meetings of the Committee it was agreed that the Chairman

should be given delegated authority to receive the annual governance reports from the Audit Commission.

**RESOLVED:**

1. That the Statement of Accounts in respect of the Citizens' Service Partnership (CSP) for the 2004/05, 2005/06 and 2006/07 financial years be approved with reservations.
2. That delegated authority be given to the Director of Resources in consultation with the Chairman of the Audit Committee to agree any changes required as a result of the audit of the CSP accounts.
3. That delegated authority be given to the Director of Resources in consultation with the Chairman of the Audit Committee to receive the CSP annual governance reports.

**08-09ac59 EXCLUSION OF THE PUBLIC AND PRESS**

**RESOLVED:**

That having regard to the confidential nature of the following items the Committee resolved to exclude the press and public from the meeting during their consideration on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**08-09ac60 INTERNAL AUDIT AND RISK MANAGEMENT REPORT PROGRESS**

The Committee received a joint report from the Head of Internal Audit and the Head of Risk Management on progress on the status of internal audit and risk management work for 2008/09 and information on significant issues as of January 2009.

The report was the culmination of the work undertaken in 2008/09 as of the end of January 2009, and reported on:

- Progress on the Internal Audit Plan
- Significant issues arising to date
- Progress on Risk Management activities.

**RESOLVED:**

That the progress report progress on the status of internal audit and risk management work for 2008/09 and information on significant issues as of January 2009 be noted.

**08-09ac61 TRACKING OF AUDIT RECOMMENDATIONS**

The Committee considered a report from the Director of Resources on the tracking of Audit recommendations.

The report was the final update on the progress of delivering the action plans against the external inspection reports and internal audit reports since the

Committee's last meeting. The report provided an updated progress summary for each directorate and details of outstanding recommendations. Good progress had been made since the last report to complete the recommendations. It was noted that the outstanding recommendations would need to be concluded by the new unitaries.

The Chairman concluded by drawing attention to the positive contribution that the tracking and reporting of Audit recommendations had been to improving the Council's internal control arrangements and in doing so thanked officers for their hard work.

**RESOLVED:**

That the report setting out the arrangements for the monitoring of audit and inspection reports and details of outstanding recommendations be noted.

**08-09ac62 INTERNAL AUDIT REVIEW OF A MIDDLE SCHOOL**

Further to minute 08-09ac48 of the meeting held on 15 December 2008 the Committee considered a report by the Director of Resources providing a summary of concerns identified by Internal Audit as a result of an audit undertaken of a middle school during November and December 2007 which identified weaknesses in the school's internal controls, which required further detailed investigation. Also considered was the action plan put in place to address the audit report.

The Headteacher, Chair of Governors and the Schools' consultant bursar were present at the meeting to explain the current position and proposed actions. Members' raised a number of questions on the background to the present situation, progress on the implementation of the action plan put in place to address the audit report and timescales, which were responded to by the representatives of the school.

**RESOLVED:**

1. That the report of the Director of Resources and responses from the representatives of the school be noted.
2. Noted that a follow-up audit will need to be undertaken by Bedford Borough Council in September 2009 to monitor the agreed actions and to provide assurance that the financial control environment within the school continues to improve.

**08-09ac63 INTERNAL AUDIT REVIEW OF AN UPPER SCHOOL**

Further to minute 08-09ac48 of the meeting held on 15 December 2008 the Committee considered a report by the Director of Resources providing a summary of concerns identified by Internal Audit in relation to the financial management of an upper school together with an action plan put in place to address the audit report.

The Headteacher was present at the meeting to give an update on the current position and actions that had been put in place to implement the audit recommendations and to answer questions from Members.

**RESOLVED:**



1. That the report of the Director of Resources and responses from the representatives of the school be noted.
2. Noted that a follow-up audit will need to be undertaken by Bedford Borough Council in September 2009 to monitor the agreed actions and to provide assurance that the financial control environment within the school continues to improve.
3. That the Director or Resources write to the Schools Governors expressing the Committee's concern that that they were not represented at the meeting.