

## **AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Chamber Suite 1, The Arc, Clowne, on Tuesday 12<sup>th</sup> March 2013 at 1400 hours.

### **PRESENT:-**

Members: - Councillors J.A. Clifton, H.J. Gilmour, A.F. Tomlinson and G.O. Webster.

Cooptees: - J. Yates.

Officers:- B. Mason (Director of Corporate Resources), G. Bagnall (Joint Assistant Director of Corporate Resources) J. Williams (Deputy Head of Internal Audit Consortium) and A. Bluff (Democratic Services Officer).

J. Yates in the Chair.

### **1002. APOLOGIES**

Apologies for absence were submitted on behalf of Councillor D. McGregor and J.M. Hill (Cooptee), S. Sunderland (Audit Team Lead, KPMG) and E. Mayor (Audit Team Manager, KPMG).

### **1003. URGENT ITEMS**

There were no urgent items of business to consider.

### **1004. DECLARATIONS**

There were no declarations of interest made.

### **1005. MINUTES – 4<sup>th</sup> FEBRUARY 2013**

Moved by Councillor A.F. Tomlinson, seconded by Councillor G.O. Webster  
**RESOLVED** that the minutes of an Audit Committee meeting held on 4<sup>th</sup> February 2013 be approved as a correct record.

### **1006. REPORTS OF KPMG – THE COUNCIL'S EXTERNAL AUDITORS; BOLSOVER DISTRICT COUNCIL – EXTERNAL AUDIT PLAN 2012/13**

In the absence of the Audit Team Lead, KPMG, the Director of Corporate Resources presented and gave a brief outline of the KPMG report to the meeting.

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KPMG have been appointed as the Council's External Auditors for 2012/13. The document supplemented KPMG's Audit Fee Letter 2012/13 sent to the Council in August 2012 and details how they will deliver their financial statements audit work for the Council. It also set out KPMG's approach to value for money (VFM) work for 2012/13.

KPMG will need to charge for any additional work that they are required to undertake during the course of the Audit. It was noted that KPMG may use their offshore audit resources located in India when carrying out the audit work, although the data would remain within UK based servers.

A short discussion took place.

Members raised a number of issues which the Director of Corporate Resources responded to.

The Director of Corporate Resources advised Members that future reports from KPMG would cover the issue of the progress that had been made by the Council in addressing the range of issues previously raised by the Audit Commission.

Moved by Councillor J. Clifton, seconded by Councillor A.F. Tomlinson  
**RESOLVED** that the report be received.

### **1007. REPORTS OF THE INTERNAL AUDIT CONSORTIUM; INTERNAL AUDIT CONSORTIUM – SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN 2012/13**

The Deputy Head of the Internal Audit Consortium presented a report which informed Members of progress made during the period 24<sup>th</sup> November 2012 to 22<sup>nd</sup> February 2013 in relation to the 2012/13 Internal Audit Plan.

It was noted that five reports had been issued during the period and an appendix attached to the report gave a summary of the overall audit opinion of each report and the number of recommendations made and accepted where a full response had been received.

Work in progress relating to other audits in the 2012/13 Plan was also covered in the report.

A short discussion took place. In response to a question it was confirmed that there were no issues arising relating to fraud that had been uncovered by Internal Audit during their work to date on the 2012/13 Plan.

An annual report summarising the outcome of the 2012/13 Internal Audit Plan would be presented to Committee after the year end.

Moved by Councillor A.F. Tomlinson, seconded by Councillor G.O. Webster  
**RESOLVED** that the report be noted.

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### **1008. BOLSOVER DISTRICT COUNCIL - INTERNAL AUDIT PLAN 2013/14**

The Deputy Head of the Internal Audit Consortium presented a report for Members consideration in relation to the Internal Audit Plan for 2013/14.

A summary of the Internal Audit Plan for 2013/14 was also included in the report with a fully detailed plan provided as an appendix.

The Plan had been prepared taking into account the following factors;

- an update of the internal audit risk assessment exercise covering the financial control and other procedures subject to audit,
- the Council's Strategic Risk Register,
- the views of the Director of Corporate Resources

The Plan allocated 587 audit days to the Council for 2013/14, the same number of days as in 2012/13.

A copy of the Plan would be provided to the Council's External Auditor to assist in co-ordination of work programmes.

Members raised a range of issues which were discussed by the Committee.

Moved by Councillor A.F. Tomlinson, seconded by Councillor G.O. Webster **RESOLVED** that the Internal Audit Plan 2013/14 be agreed.

### **1009. JOINT REPORT OF THE INTERNAL AUDIT CONSORTIUM AND THE DIRECTOR OF CORPORATE RESOURCES; AUDIT COMMISSION NATIONAL REPORT – 'PROTECTING THE PUBLIC PURSE 2012 – FIGHTING FRAUD AGAINST LOCAL GOVERNMENT'**

The Director of Corporate Resources presented a report for Members consideration on the summary of findings and recommendations from a recent Audit Commission National report titled, 'Protecting the Public Purse 2012 – Fighting Fraud against Local Government'.

A full copy of the 2012 report is available on the Audit Commission's website.

<http://www.audit-commission.gov.uk/fraud/protecting-the-public-purse/Pages/protecting-the-public-purse-2012.aspx>

The Audit Commission report included a check list covering the issues and recommendations in their report so that 'those responsible for governance' could review the current level of compliance. The check list had been completed by the Director of Corporate Resources and the Head of the Internal Audit Consortium in conjunction with other relevant officers for consideration by the Audit Committee.

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When completing the checklist and identifying potential areas for further action, responses had been kept proportionate to both the perceived risk within the Council and to the resources available.

A key mechanism for both the prevention and detection of fraud was staff awareness and the Head of Internal Audit, in conjunction with the Director of Corporate Resources, would ensure that an article would be placed on the Council's intranet site to remind staff of the fact that the Council maintained a policy of zero tolerance towards fraud.

A short discussion took place.

Moved by Councillor J.A. Clifton, seconded by Councillor G.O. Webster

**RESOLVED** that (1) the report be noted,

(2) the position shown in the 'check list for those responsible for governance' be noted and that a message be put on the Council's intranet site publicising the key messages of the Council's Anti Fraud Strategy.

(Head of Internal Audit / Director of Corporate Resources)

### **1010. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES; UPDATE FROM DIRECTORS CONCERNING INTERNAL AUDIT RECOMMENDATIONS**

An extraordinary meeting of Audit Committee had been held on 16th October 2012, where the attendance of all Directors had been requested to provide Committee with an update of progress in addressing all Audit Reports, which had resulted in an assessment of unsatisfactory or marginal being recorded against the area under consideration.

The Audit Committee had continued to emphasise the role that Directors play in ensuring a sound internal control environment and the Director of Corporate Resources presented a report which intended to allow all Directors to provide a further update in respect of progress in those areas. Two appendices were attached to the report.

It was noted that the Council had not had any areas reviewed by Internal Audit which resulted in a categorisation of unsound.

Where an area was evaluated as either good or satisfactory, no further corporate work was considered to be necessary; the service manager would then need to implement any agreed recommendations and the area would be reviewed again by Internal Audit in line with the work programme set out in the Audit Plan.

Where an area was judged either marginal or unsatisfactory, further reports would be brought back to the Audit Committee.

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Appendix 1 set out the position concerning the reports which were considered to be unsatisfactory or marginal in respect of 2011/12 and provided an update as to the progress made in respect of each of the areas.

Appendix 2 set out the position in respect of audits undertaken to date in the current financial year 2012/13 which showed that eight out of 14 audits had resulted in an assessment of marginal. This compared with the position in respect of last year (2011/12), when out of 28 audits, four areas were classified as unsatisfactory and nine were judged to be marginal. With a further 12 audits still to be issued it was expected that the proportion of audits considered as marginal or unsatisfactory would remain broadly the same as in the previous year.

The Director of Corporate Resources circulated a third appendix to the meeting, which provided a summary of internal audit reports 2012/13 considered marginal as set out in Appendix 2; with progress made in addressing the recommendations:

It was recommended that all Directors be requested to attend the next Audit Committee to be held on 21<sup>st</sup> May 2013, at which stage all reports in respect of 2012/13, would be available and would give a more comprehensive overview of progress to date.

Members requested a third recommendation be added, that Members receive any reports for the next Audit Committee, ten days in advance of the meeting date.

Moved by Councillor J.A. Clifton, seconded by Councillor A.F. Tomlinson

**RESOLVED** that (1) the report be noted,

(2) all Directors be requested to attend the next Audit Committee meeting on 21<sup>st</sup> May 2013,

(3) Members receive any reports for the next Audit Committee, ten days in advance of the meeting date.

(Head of Internal Audit / Director of Corporate Resources / Head of Democratic Services)

### **1011. STATEMENT OF ACCOUNTS 2012/13 – ADOPTION OF ACCOUNTING POLICIES AND UPDATE ON ACCOUNTING CHANGES**

The Assistant Director of Corporate Resources presented a report for Members consideration regarding the adoption of accounting policies and an update on accounting changes in relation to the Statement of Accounts 2012/13.

#### **Accounting Policies:**

Officers had undertaken a review of all accounting policies previously agreed to check their relevance, clarity, legislative compliance and that they were in accordance with the latest version of the Code of Practice and IFRS requirements. Some policies had been amended to clarify the policy itself while others had been added to address changes required by IFRS. Full details of all the proposed accounting policies were detailed in Appendix 1 attached to the report.

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The Assistant Director of Corporate Resources added that it may be necessary to amend a policy as the Statement of Accounts for 2012/13 is prepared to reflect the accounting treatment taken. If this occurred, the change and the reason for the change would be reported back to Audit Committee in June 2013.

### **Accounting Changes:**

Following completion of the audit of the Statement of Accounts (September 2012), a number of actions had been undertaken by the Accountancy Section to address issues raised by the External Auditors. Details of these were outlined in the report and covered;

- Reconciliation – frequency and completeness,
- Correct Identification of capital and revenue items,
- Improved Instructions to the Valuer and correct calculation of impairments,
- Robust individual Housing Property Records,
- Budgetary Control and Virement;

The annual Statement of Accounts was one of the Council's most important corporate documents. The performance in this key area therefore needed to be at a very high standard to ensure that the Accounts met all the IFRS requirements and are signed off as unqualified by the External Auditor. Failure to produce a robust Statement of Accounts would reflect badly on the financial stewardship of the Council and on its overall reputation.

Members thanked the Assistant Director of Corporate Resources for the detailed report.

Moved by Councillor A.F. Tomlinson, seconded by Councillor G.O. Webster

**RESOLVED** that (1) the Accounting Policies as detailed in Appendix 1 be approved,

(2) any proposed amendments or changes to the policies be reported back to Audit Committee, together with an explanation for the reasons a change was considered to be appropriate and detailing any financial implications of the amendments,

(3) changes introduced within the Accountancy Section during 2012/13 to improve accounting arrangements for the Council be noted.

(Director of Corporate Resources/ Assistant Director of Corporate Resources)

## **1012. KEY ISSUES OF FINANCIAL GOVERNANCE**

The Director of Corporate Resources presented a report for Committees consideration on the progress secured in improving the Council's financial governance arrangements.

The report outlined issues raised by both External and Internal Audit and progress made in addressing those issues and for evaluating the overall progress of the Council's financial governance arrangements.

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Two appendices were also attached to the report and these set out the detailed recommendations made by the Council's External Auditors in their Annual Governance Letter of September 2012, Annual Audit Letter of October 2012 and the Interim Governance Report of June 2012. Issues within the Interim Governance Report and the Annual Governance Report would continue to be marked as complete within the appendices as they were resolved.

The report provided a table which summarised the strategic issues together with an update of the current position. The Director of Corporate Resources and other members of Strategic Alliance Management Team (SAMT) were responsible for addressing strategic issues and resolution was also dependent upon securing support of elected Members. Monitoring and evaluating progress, and where appropriate securing further action from officers, would be the role of Audit Committee.

A discussion took place around the savings made by the Council so far and the amount of savings that still needed to be identified.

In response to a question raised by Councillor Clifton regarding the Annual Governance Report, the Director of Corporate Resources advised Members that the draft report in respect of 2012/13 report would be presented to Audit Committee in May 2013.

Moved by Councillor A.F. Tomlinson, seconded by Councillor G.O. Webster  
**RESOLVED** that (1) the Strategic Issues of Financial Governance as set out in the report be noted,

(2) the detailed issues raised by External Audit as set out within the appendices to the report be noted.

### **1013. BUDGET MONITORING REPORT QUARTER 3 – 2012/13**

The Director of Corporate Resources presented a report which provided an update on the financial position of the Council following the third quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, the Capital Programme and Treasury Management Activity. Five appendices providing detailed break down information were also attached to the report.

It was noted that the report had been previously presented to Executive on 4<sup>th</sup> March 2013.

#### **General Fund Revenue Account;**

The Current Budget reflected the revised budget position for the Council and the latest budget transfers requested by budget managers. The overall position showed that there was in effect a balanced budget for the Council for 2012/13 and officers were managing their budgets against this position. The budget monitoring position for the third quarter was summarised in Appendix 1.

The detailed cost centre monitoring statement was shown at Appendix 2 and comments had been added to explain some of the main variances identified at the third quarter.

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At the third quarter the budget monitoring position showed an overall net under spend of £0.191m. This indicated that the overall General Fund net expenditure is currently within the profiled budget. There were some budget pressures to note which would reduce this under spend as the Council moved into the last quarter of the financial year. However, officers were continuing to examine and identify efficiencies and savings and this ongoing work was expected to assist in achieving the aim to break even by the end of the financial year. To the extent to which it proves possible to achieve any under spend then this would be used to increase the level of General Fund balances as set out within the Medium Term Financial Plan (MTFP).

### **Housing Revenue Account (HRA);**

The Housing Revenue Account in respect of the first nine months of 2012/13 was set out in Appendix 3.

The net position at the third quarter showed that the HRA had a net under spend of £0.400m. Some of the under spend would balance out as the year progressed and work was undertaken – it was anticipated that the account would show an overall under spend against the revised budgets for the financial year.

### **Capital Expenditure and Resources;**

The third quarter monitoring position in respect of the Capital Programme was provided in Appendix 4 to the report.

The Appendix was split into two sections. The first section showed the Housing Revenue Account Capital Schemes and the second, the General Fund Capital Schemes.

The Capital Programme was currently progressing at a slower pace than indicated in the profiled revised approved budgets for 2012/13. The position meant there are no budget pressures to report. A key issue to note was that the delay in capital receipts (the sale of land at Bolsover and Shirebrook), meant that the Council would need to undertake some prudential borrowing over the short term to cover the financing requirements of the programme.

### **Treasury Management;**

A brief report on the treasury management activity during the first nine months of the year was shown in Appendix 5.

During the first nine months of the financial year, the Council continued to operate within the treasury limits set out in the Borrowing and Investment Strategy. The latest Treasury Management Strategy updated these limits, which would apply from the date they were approved by Council.

Further to questions raised by Members, the Director of Corporate Resources replied that any under spend and the reason behind any under spend, would be looked at again along with the budgets for this year to ensure that areas of potential savings continued to be identified.

Members noted that a lot of work had been put into the reports.  
Moved by Councillor A.F. Tomlinson, seconded by Councillor H.J. Gilmour  
**RESOLVED** that the report be noted.



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### 1014. RISK STRATEGY INCLUDING STRATEGIC RISK REGISTER

The Director of Corporate Resources presented the revised Strategic Risk Register as at 31<sup>st</sup> December 2012 to Committee for its consideration.

The Risk Management Group had developed the Council's Strategic Risk Register to take into account issues raised within the Master Risk Register which outlined the service or operational risks faced by the Council.

In addition, the Group had looked at best practice from other local authorities in order to ensure that the Council's arrangements continued to be fit for purpose. The revised Strategic Risk Register as at 31<sup>st</sup> December 2012 was attached as Appendix 1 to the report and reflected these pieces of work and was structured so that those risks with the highest risk score were detailed first.

In response to questions raised by Members, the Director of Corporate Resources gave explanation of the risk scores and the impact on the Council. He added that he would provide Members with information on how risk was classified at the next meeting of Audit Committee.

A short discussion took place.

Moved by Councillor G.O. Webster, seconded by Councillor J.A. Clifton  
**RESOLVED** that the report be noted.

(Director of Corporate Resources)

The meeting concluded at 1530 hours.