

17th June 2013

The Arc
High Street
Clowne
Derbyshire
S43 4JY

Dear Sir or Madam

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held in Chamber Suite 1 on Wednesday 26th June 2013 at 1400 hours at The Arc, Clowne.

Register of Members' Interest - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised on page 2.

Yours faithfully,



Chief Executive Officer

To: Chairman & Members of the Audit Committee

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Chief Executive Officer: Wes Lumley, B.Sc. F.C.C.A.



The Government Standard

AUDIT COMMITTEE

AGENDA

Wednesday 26th June 2013 at 1400 hours in Chamber Suite 1, The Arc, Clowne

Item No.		Page No.(s)
PART 1 – OPEN ITEMS		
1.	To receive apologies for absence, if any.	
2.	To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4 (b) of the Local Government Act 1972.	
3.	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of: a) any business on the agenda b) any urgent additional items to be considered c) any matters arising out of those items and if appropriate, withdraw from the meeting at the relevant time.	
4.	Minutes of a meeting held on 21 st May 2013.	3 to 11
5.	Reports of the Internal Audit Consortium; Internal Audit Consortium – Public Sector Internal Audit Standards.	12 to 14
6.	Reports of the Internal Audit Consortium; Internal Audit Consortium – Annual Report.	15 to 22
7.	Reports of the Internal Audit Consortium; Internal Audit Consortium – Summary of Progress on the Internal Audit Plan 2012/13 & 2013/14.	23 to 26
8.	Reports of the Internal Audit Consortium; Internal Audit Consortium – Report on Internal Audit Annual Report 2012/2013.	27
9.	Update from Directors concerning Internal Audit Recommendations.	To Follow
10.	Annual Review of the effectiveness of Internal Audit	28 to 35
11.	Draft Statement of Accounts including Annual Governance Statement 2012/13	To Follow
12.	Medium Term Financial Plan.	36 to 47

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 21st May 2013 at 1400 hours.

PRESENT:-

Members: - Councillors J.A. Clifton, S.W. Fritchley, D. McGregor, K. Reid and A.F. Tomlinson.

Cooptees: - J. Yates.

Officers:- W. Lumley (Chief Executive Officer)(from during Minute No. 0019), B. Mason (Director of Corporate Resources), K. Hopkinson (Joint Director of Development), S. Tomlinson (Joint Director of Neighbourhoods), W. Carter (Facilities Planning & Development Manager), J. Williams (Deputy Head of Internal Audit Consortium) and A. Bluff (Democratic Services Officer).

Also in attendance in the public gallery was Councillor G.O. Webster.

J. Yates in the Chair

0014. APOLOGIES

Apologies for absence were submitted on behalf of Councillor E. Watts, P. Hackett (Joint Director of Health and Wellbeing), L. Hickin (Joint Assistant Director of Leisure), J.M. Hill (Cooptee), S. Sunderland (Audit Team Lead, KPMG) and P. Hutchins (KPMG).

0015. URGENT ITEMS

There were no urgent items of business to consider.

0016. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0017. MINUTES – 12TH MARCH 2013

Moved by Councillor A.F. Tomlinson, seconded by Councillor D. McGregor
RESOLVED that the minutes of an Audit Committee meeting held on 12th March 2013 be approved as a correct record.

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0018. INTERNAL AUDIT CONSORTIUM – SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN 2012/13

Committee considered a report which informed Members of progress made during the period 23rd February 2013 to 3rd May 2013, in relation to the 2012/13 Internal Audit Plan.

Eight reports had been issued during the above period. 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.

In respect of the audits covered in the report, it was confirmed that there were no issues arising relating to fraud that needed to be brought to Committee's attention. Work in progress relating to other audits in the 2012/13 Plan was also covered in the report.

In respect of the audit for Gas Servicing, the overall opinion was Unsatisfactory and although good progress had been made in improving systems and management arrangements, the audit identified that 24% of properties had not had their gas service completed. It was questioned that tenants were given only 10 days' prior notice of a service date.

The Head of Housing had developed a plan to address the issues. The Housing Service had already requested a further audit to ensure outstanding issues had been resolved which would be undertaken in July 2013.

The Interim Head of the Internal Audit Consortium advised the meeting that internal Audit were now working on the 2013/14 Audit Plan.

Moved by Councillor J. Yates and seconded by Councillor A. F. Tomlinson
RESOLVED that the report be noted.

0019. UPDATE FROM DIRECTORS CONCERNING INTERNAL AUDIT RECOMMENDATIONS

At the Audit Committee meeting held on 12th March 2013, Members had resolved that all Directors be requested to attend the next Audit Committee meeting at which stage all reports in respect of internal audit recommendations for 2012/13 would be available and Directors could give a more comprehensive overview of progress secured in respect of those audit reports where the overall assessment had been one of marginal or below.

A 'marginal' assessment was reached where a number of areas had been identified for improvement. It was noted, however, that such an assessment did not imply that systems were fundamentally unsound or unsafe and the Council had not had any areas categorised as 'unsound', which was the most critical assessment.

Members expressed disappointment that not all Directors were in attendance at the meeting given they had been specifically asked to attend. The Committee was advised that the Director of Corporate Resources would be reporting on behalf of the Chief

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Executive Officer and the Facilities Planning and Development Manager would be reporting on behalf of the Director of Health and Well-Being.

The Director of Corporate Resources presented a summary report in respect of internal audit recommendations made in respect of those areas where the audit report had assessed internal as being marginal or below. Three appendices were attached to the report;

Appendix 1 set out the position concerning the reports, which were judged to be either unsatisfactory or marginal in respect of 2011/12, and also provided an update on 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 and Appendix 3 provided a further more detailed summary of audit reports which had been considered marginal for 2012/13.

Comparisons for 2011/12 and 2012/13 were included in the report and it was noted that the number of 'unsatisfactory' assessments had reduced to one in 2012/13 which would indicate a small underlying improvement and that progress was being made in securing improvements in the Council's internal control arrangements.

Appendix 3 indicated that recommendations, in the majority of cases, had been addressed, or were work in progress. This also suggested that the majority of these areas should record a satisfactory rather than a marginal outcome at the time of the next audit review.

It was crucial that the trend of improvement was maintained and that the Council was able to eliminate unsatisfactory assessments in critical areas of its operations and that it was able to reduce the number of marginal assessments significantly.

The Council needed to undertake a co-ordinated drive to improve its internal control arrangements during the coming financial year and given that the Audit Committee was responsible for the financial governance arrangements of the Council it would be appropriate that it gave further consideration as to what steps were necessary to improve the Council's arrangements for Internal Control.

The following areas had been considered marginal or unsatisfactory:

Laptops and removable media, where there were 4 recommendations: 3 medium and 1 high priority

The issues were around improving data security.

Recommendations 2, 3 and 4 had been completed. Recommendation 1 (medium) was work in progress and related to ICT policies at BDC and NEDDC being reviewed and consolidated to provide a consistent and common basis for the guidance of Members and staff for all aspects of the ICT service provision, including the secure usage and maintenance of laptop and removable media devices.

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A completion date of September 2013 was provided in respect of the outstanding actions, however, that date would be reviewed in light of the Council's priorities in respect of ICT.

Creswell Leisure Centre, where there were 6 recommendations: 4 high and 2 medium priority

Actions had been completed for all six recommendations.

The Facilities Planning & Development Manager answered Members questions and gave explanation of the issues raised in the report.

Stores, where there were 6 recommendations: 3 medium and 3 high priority

Actions had been completed for recommendations 2 to 6. Recommendation 1 (medium) was work in progress and related to completion of a lease of premises for Travis Perkins. The Joint Director of Neighbourhoods advised the meeting that he would follow up the outstanding issue with regard to this.

Section 106 Agreements, where there were 6 recommendations: 4 high and 2 medium priority

Actions had been completed for recommendations 1, 2, 4, 5 and 6. Recommendation 3 (medium) was work in progress due to a revised policy on planning obligations is to be included within the new Local Plan (Strategy), which would go out for public consultation later in 2013. While underlying work had been completed, the action itself would only be completed when the Local Plan was adopted.

Corporate Targets, where there were 4 recommendations: 3 high and 1 medium priority

Actions had been completed for all four recommendations and further work will be undertaken to remind officers in service departments of the importance of ensuring that data submissions are appropriately completed.

Vehicles, fuel and security at Riverside Depot, where there were 5 recommendations: 3 high and 2 medium priority

Actions for recommendations 1, 2, 4 and 5 had been completed. Recommendation 3 (high) was work in progress and related to operatives drivers' licences being checked on an annual basis.

The Joint Director of Neighbourhoods advised the meeting that there was a resource issue in relation to this recommendation in that all drivers were being asked to present their licence on at least an annual basis. This would involve a lot of work with no suitably trained staff to check 250 drivers' licences.

Members asked questions and a lengthy discussion took place.

Members requested an update be provided at the next Audit Committee meeting to be held in June 2013.

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Rechargeable Works, where there were 5 recommendations: 2 medium, 1 high and 2 low priority

Recommendation 5 had been completed. Recommendations 1 to 4 were all work in progress.

The Joint Director of Neighbourhoods advised the meeting that a report would be presented to Executive regarding the draft rechargeable repairs policy.

Housing repairs where there were 6 recommendations: 2 medium, 3 high and 1 low priority

Actions for recommendations 1, 2 and 4 had been completed. Recommendations 3 and 5 were work in progress. Recommendation 6 was still being discussed with Internal Audit.

The Joint Director of Neighbourhoods advised the meeting that the issues in the report in relation to housing repairs would be addressed.

The Joint Director of Neighbourhoods referred the meeting back to the Gas Servicing issue raised earlier in the report. He advised the meeting that a new process had been devised and twenty eight days notice would now be given to tenants regarding their gas service.

The Audit team had been asked to look at the new process to see if they were satisfied that it was acceptable. The Joint Director of Neighbourhoods assured Members that this was being dealt with as a high priority.

The Chief Executive Officer entered the meeting at this point.

A lengthy discussion took place.

Members raised concern at the length of time taken to resolve the issue given its seriousness and requested a clear and concise time table of when the new process would be in place and that this be presented to the next Audit Committee meeting in June.

Partnerships, where there were 4 recommendations: 1 low, 3 high priority

Recommendations 1, 3 and 4 were work in progress. With regard to recommendation 2, the Director of Corporate Resources advised the meeting of a clerical error on the report and that the action had been completed and the wording 'works in progress' should have been removed from the report.

The Director of Corporate Resources advised that a report would be presented to Executive on how the Authority managed its partnerships.

Moved by Councillor D. McGregor, seconded by Councillor S.W. Fritchley
RESOLVED that (1) in relation to recommendation 3 under Vehicles, fuel and security

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at Riverside Depot, an update including details of a revised system for the checking of all drivers licences be presented by the Director of Neighbourhoods to the next Audit Committee meeting in June 2013.

Moved by Councillor D. McGregor, seconded by Councillor J. Clifton

RESOLVED that (2) in relation to Gas Servicing for tenants, a clear and concise time table of when the new process would be in place be presented by the Director of Neighbourhoods to the next Audit Committee meeting in June 2013.

Moved by Councillor J. Clifton, seconded by Councillor D. McGregor

RESOLVED that (3) further reports be brought back to future meetings of Audit Committee detailing progress in addressing the full range of internal control weaknesses that had been identified by the work programme of Internal Audit.

(Directors)

0020. ANNUAL GOVERNANCE STATEMENT 2012/13

The Director of Corporate Resources presented a report to seek Committee's agreement on the conclusions and content of the draft Annual Governance Statement which it was proposed to attach to the Council's Statement of Accounts for 2012/13.

The final version of the Annual Governance Statement would be presented to the next Audit Committee meeting on 24th June 2013, when Committee would be required to formally approve the Statement.

The Council had been required to include an Annual Governance Statement as part of its Statement of Accounts from the 2007/08 Financial Year.

Preparation of the Annual Governance Statement had been undertaken in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives and Senior Managers (SOLACE) framework, which set out the fundamental principle of corporate governance that needed to be addressed within the Statement.

One of the key purposes of the Annual Governance Statement was an annual self assessment process to assess the extent to which the key principles were in place within the Authority and were adhered to in practice.

As part of the process it was considered appropriate to review the Council's Code of Corporate Governance. This review had been conducted in the light of developments over the past year and in particular the guidance issued by CIPFA / SOLACE at the end of 2012. The proposed revised Code was attached to the report at Appendix 2 and subject to any comments or amendments by Committee it would then be recommended to Council for approval.

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Committee would need to take into account a number of factors in making a decision regarding the appropriateness of the draft Statement and these were set out in the report. The Director of Corporate Resources took Committee through each of the factors.

A short discussion took place.

Members agreed that the whilst in need of further improvement the Council's governance arrangements continued to be fit for purpose.

Moved by Councillor D. McGregor, seconded by Councillor J.A. Clifton
RESOLVED that (1) the draft Annual Governance Statement be noted,

(2) having reviewed the effectiveness of the Governance Framework Audit Committee were satisfied that the Council's governance arrangements, whilst in need of further improvement, continued to be fit for purpose,

RECOMMENDED that (1) the Revised Code of Corporate Governance as set out in Appendix 1 to the report be presented to Council for approval.

(Director of Corporate Resources/Governance Manager)

Councillor McGregor left the meeting at this point.

0021. KEY ISSUES OF FINANCIAL GOVERNANCE

The Committee considered a report relating to progress on the implementation of previous recommendations on major issues raised by both External and Internal Audit and also an evaluation of the overall progress of the Council's financial governance arrangements.

The report set out four issues which were detailed in a table attached to the report and had previously been agreed by Audit Committee to constitute the Strategic Issues of Financial Government for the Council.

In addition to these Strategic Issues, the External Auditor reports had raised a number of issues of detail and progress against these detailed recommendations and these were tracked in Appendices 1 and 2 attached to the report.

The two appendices set out the detailed recommendations which were made by the Council's External Auditors in their Annual Governance Letter of September 2012, the 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 be marked as completed within the appendices as they were resolved.

With regard to the Strategic Issues, the table in the report provided an outline of the issue and an update of the current position. The Director of Corporate Resources and other Members of Strategic Alliance Management Team were responsible for

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addressing the Strategic Issues with resolution of the issues being dependent on the support of Members.

Audit Committee were responsible for monitoring and evaluating progress and where appropriate securing further action from officers.

Moved by Councillor K. Reid, seconded by Councillor J. Clifton

RESOLVED that (1) the Strategic Issues of Financial Governance as set out in the table contained within the report be noted,

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

0022. STRATEGIC RISK REGISTER

The Director of Corporate Resources presented a report in relation to the Council's Strategic Risk Register.

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

The revised Strategic Risk Register as at 31st March 2013 was set out in Appendix 1 attached to the report and was structured so that those risks with the highest risk score were detailed first.

At its meeting on 1st May 2013, the Risk Management Group agreed that it was now timely to refresh the Council's Risk Strategy and it was planned that this piece of work would be complete, including the comments of the Audit Committee, by the time of the next quarterly report to Executive concerning the Strategic Risk Register. Once Executive had approved the revised Risk Strategy then it would be used as the basis for a training and awareness programme amongst staff and Elected Members. As an interim awareness raising measure, the Risk Management Group indicated that it would be appropriate to forward the Strategic Risk Register as recommended within this report to the Budget Scrutiny Committee for its consideration also.

A question was raised in relation to risk regarding further partnership arrangements and if this was including in the Register. The Director of Corporate Resources replied that the Register did touch upon the roll of partnership arrangements of potential delivery and added that this would be looked at further.

Moved by Councillor K. Reid, seconded by Councillor S.W. Fritchley

RESOLVED that the report be accepted.

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0023. AUDIT COMMITTEE – SELF ASSESSMENT

CIPFA / SOLACE had published their guidance concerning 'Delivering Good Governance in Local Government', at the end of the 2012 calendar year. The guidance had been used in developing the Annual Governance Statement as reported at Minute 0020 above.

The publication contained a significant amount of discussion concerning the role of the Audit Committee in ensuring good governance in local authorities and this information was now presented to Committee to enable it to benchmark itself against good practice and to allow it to assess its contribution to the overall Governance arrangements within the Authority.

To assist Committee, the Director of Resources had, where appropriate, provided comments in response to the issues raised by CIPFA / SOLACE but it was for Committee to take a view as to the appropriateness of the comments and to consider the issues where no comments had been made. These were set out at Appendix 1 attached to the report.

A discussion took place.

Members agreed that a training exercise in relation to the assessment be carried out at the September meeting of Audit Committee.

The Director of Resources advised the meeting that the Council had acquired a corporate licence to make the content of the Good Governance Guidance available to both Members and Officers and an electronic copy of the guidance was available on request.

Moved by Councillor J. A. Clifton, seconded by Councillor S.W. Fritchley

RESOLVED that (1) the guidance contained in the CIPFA / SOLACE publication "Delivering Good Governance in Local Government" be utilised to undertake a self assessment of the Committee's effectiveness in promoting good governance,

(2) that a further self assessment exercise with respect to Risk Management and Value for Money arrangements be presented to the next meeting,

(3) a training exercise in relation to the assessment be carried out at the September meeting.

(Director of Corporate Resources)

The meeting concluded at 1545 hours.

**INTERNAL AUDIT CONSORTIUM – REPORT ON THE NEW PUBLIC
SECTOR INTERNAL AUDIT STANDARDS**

MEETING: AUDIT COMMITTEE

DATE: 26th JUNE 2013

**REPORT BY: INTERIM HEAD OF INTERNAL AUDIT
CONSORTIUM**

FOR PUBLICATION

**BACKGROUND PAPERS: Public Sector Internal Audit
Standards**

[http://www.cipfa.org/Policy-and-Guidance/Standards/-
/media/Files/Publications/Standards/Public%20Sector%20Internal
%20Audit%20Standards.pdf](http://www.cipfa.org/Policy-and-Guidance/Standards/-/media/Files/Publications/Standards/Public%20Sector%20Internal%20Audit%20Standards.pdf)

1 Purpose of Report

1.1 To report to Members a summary of the new Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) developed, in collaboration with the Chartered Institute of Internal Auditors (CIIA) and a range of other public bodies. The PSIAS came in to force on 1st April 2013 and are mandatory. The PSIAS replace the Code of Practice for Internal Audit in Local Government which was last revised in 2006.

2 Recommendations

2.1 That the introduction of the new Public Sector Internal Audit Standards is noted and that the adoption of the PSIAS is agreed.

2.2 The compliance of the Internal Audit Consortium will be assessed against the PSIAS checklist and its findings reported back to this committee.

3 Background

- 3.1** In May 2011, the Chartered Institute of Public Finance and Accountancy agreed to collaborate to produce and develop a set of internal audit standards. The result was the PSIAS which are based on the mandatory elements of the Institute of Internal Auditors (IIA) and the International Professional Practices Framework (IPPF). The PSIAS are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 3.2** The PSIAS which came in to force on the 1st April 2013 consists of the following:-
- Definition of Internal Auditing
 - Code of Ethics
 - Standards for the Professional Practice of Internal Auditing
- 3.3** In Local Government, the PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011.
- 3.4** Generally it appears that most of the content of the PSIAS is a continuation of existing best practice. As the Consortium has operated in compliance with the CIPFA Code of Practice there should not be any material changes in the Consortium's day to day operational arrangements.
- 3.5** The Application Note that supports the PSIAS contains a checklist for compliance with the standards. The checklist will be completed by the Consortium to identify any areas of non compliance and to formulate an action plan to address any gaps identified.

4 Key Differences between the CIPFA Code of Practice 2006 and the PSIAS

- 4.1** The key changes and points to note between the CIPFA Code of Practice and the PSIAS are shown below:-
- The PSIAS use the term "Chief Audit Executive" rather than "Head of Audit" however it is not intended that organisations amend the job titles of Heads of Audit.
 - Within the PSIAS, the terms "board" and "senior management" must be interpreted in the context of the governance arrangements within each individual organisation. It is expected that the audit committee will fulfil the role of the board in the majority of instances.

- The definition of Internal Audit has changed to:-
 - *Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*
- There is a requirement for an internal audit “Charter” the content of which is largely the same as the current Terms of Reference, however, these will require review and updating.
- There is no longer a requirement to produce an Audit Strategy. Instead a risk based plan must incorporate or be linked to a strategic or high level statement. This should set out how the internal audit service will be provided and developed in accordance with the Charter and how it will link to the organisation’s objectives and priorities. The risk based plan should be fixed for a period of no longer then one year. It should outline the assignments to be carried out, their respective priorities and the estimated resources needed.
- The quality of the service has to be subject to an external assessment at least every 5 years. This may be satisfied by either a full external assessment or by undertaking a self assessment with independent validation. The same checklist as that for externally validated self-assessments will be used to undertake an internal assessment (paragraph 3.5).
- The PSIAS place the responsibility for monitoring progress with the Head of Audit to ensure that management actions have been effectively implemented or if not that senior management have accepted the risk of not taking action.

5 Recommendations

- 5.1 That the introduction of the new Public Sector Internal Audit Standards is noted and that the adoption of the PSIAS is agreed.
- 5.2 The compliance of the Internal Audit Consortium will be assessed against the PSIAS checklist and its findings reported back to this committee.

6 Reason for Recommendations

- 6.1 To inform Members of the new PSIAS and the actions being taken to ensure that they are appropriately considered and adopted.

Bolsover, Chesterfield and North East Derbyshire Councils'

Internal Audit Consortium

Annual Report to Bolsover District Council 2012/13

INTRODUCTION

1. The purpose of this report is to:
 - Present a summary of the internal work undertaken from which the opinion on the internal control environment is derived
 - Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion
 - Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement
 - Compare work actually undertaken with that which was planned and summarise performance
 - Comment on compliance with the CIPFA Code of Practice for Internal Audit and the results of the quality assurance programme
 - Review of the performance of the Internal Audit Consortium against the current Internal Audit Policy (Strategy)

SUMMARY OF WORK UNDERTAKEN

2. Appendix 1 details the audit reports issued in respect of audits included in the 2012/13 internal audit plan. The appendix shows for each report the overall opinion on the reliability of the internal controls. An additional column shows the opinion given at the last audit for information. The report opinions can be summarised as follows:

Control Level	Number of Reports	Percentage 2012/13	Percentage 2011/12
Good	11	33.3	23.1
Satisfactory	11	33.3	34.6
Marginal	10	30.3	26.9
Unsatisfactory	1	3.1	15.4
Unsound	0	0	0.00
	33	100	100.0

A definition of the above control levels is shown in Appendix 1.

3. There were no issues relating to fraud arising from the reports detailed in Appendix 1.
4. The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2012/13		2013/14
	Plan	Actual	Plan
Cost per Audit Day	£233	£233	£233
Percentage Plan Completed	96%	97%	96%
Sickness Absence (Days per Employee)	8.5 (Corporate Target)	7.9	8.5 (Corporate Target)
Customer Satisfaction Score (see para 11 below)	80%	88%	80%

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

5. In respect of the main financial systems, Appendix 1 shows that internal controls were in the main found to be operating satisfactorily, giving an overall confidence in the internal control system operating in relation to these systems. There was 1 unsatisfactory report issued during the year and 10 with a marginal opinion where only limited assurance on the reliability of internal controls can be given as weaknesses in the design and/or inconsistent applications of controls put the achievement of the organisations objectives at risk. Management should ensure prompt action is taken to address the areas of weakness identified in all these internal audit reports.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

6. The internal control issues arising from audits completed in the year have been reported to the Director of Corporate Resources

for consideration during the preparation of the Annual Governance Statement. In particular, the following internal audit report with an unsatisfactory opinion was brought to the attention of the Director of Corporate Resources to ensure that appropriate action had been taken to address the control issues identified or that the control issues were considered for inclusion in the annual governance statement:

- Gas Servicing

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

7. The Internal Audit Plan for 2012/13 was reported to the Audit Committee on the 12th March 2012. A comparison of planned audits with audits completed is shown as Appendix 2. Overall 97% of planned audits were completed during the year.

COMPLIANCE WITH CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT IN LOCAL GOVERNMENT AND OTHER QUALITY ASSURANCE RESULTS

8. During 2012/13 a self assessment has been undertaken to review compliance with the CIPFA Code of Practice for Internal Audit. It should be noted that in respect of the 2013/14 year the CIPFA Code of Practice is being replaced by the Public Sector Internal Audit Standards (PSIAS). The PSIAS Application note contains a detailed self assessment checklist which will be completed in future.
9. This review confirmed that there were no significant areas of non compliance, with an assessed score of 95.3% being recorded against the Code requirements.
10. Quality control procedures have been established within the internal audit consortium as follows:
 - Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews invariably identify issues for clarification, the overall conclusion of the quality

assurance checks is that work is being completed and documented thoroughly.

- Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
- Client Officer Views – A survey form has been issued to the two client officers seeking their views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Terms of Reference and Strategy.

11. Based on the customer satisfaction survey forms returned, the average score was 88% for customer satisfaction during 2012/13 (2011/12 result 86%).
12. The results of the Client Officer survey for Bolsover was a score of 94% (33 out of a maximum of 35 - for the seven areas reviewed this represented 5 'very good' scores and 2 'good' score). The 2011/12 score was 97%.

REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT STRATEGY

13. An updated version of the Internal Audit Policy (Strategy) was reported to and approved by the Audit Committee on 26th September 2011 (Minute 443).

The overall policy was stated as:

“To deliver a risk-based audit plan in a professional, independent manner, to provide each partner organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make recommendations to improve it.”

Based on the information provided in this report on the completion of the 2012/13 internal audit plan, it is considered that this policy has been substantially met during the year.

Appendix 1

**Bolsover District Council – Internal Audit Reports Issued
2012/13**

Ref	Report Title	Overall Opinion 2012/13	Overall Opinion Previous Audit
1	Partnerships	Marginal	Satisfactory
2	Members Allowances	Satisfactory	Satisfactory
3	NNDR (Key Controls)	Good	Good
4	Creswell Leisure Centre	Marginal	Unsatisfactory
5	Performance Indicators	Marginal	Unsatisfactory
6	Service Desk	Good	N/A
7	Disabled Facilities Grants	Good	Satisfactory
8	Cash and Bank	Good	Satisfactory
9	Section 106	Marginal	N/A
10	Choice Based Lettings	Satisfactory	Satisfactory
11	Council Tax	Satisfactory	Good
12	Transport, Vehicles, Fuel Security	Marginal	Marginal
13	WNF	Good	Good
14	Expenses and Allowances	Satisfactory	Satisfactory
15	Payroll	Good	Good
16	Debtors	Good	Good
17	Creditors	Satisfactory	Marginal
18	Pleasley Outdoor Centre	Good	N/A
19	Treasury Management	Good	Satisfactory
20	Housing Rents	Satisfactory	Marginal
21	Laptops and Removable Media	Marginal	Unsatisfactory
22	Stores	Marginal	Marginal
23	Rechargeable Works	Marginal	N/A
24	Housing Repairs	Marginal	Unsatisfactory
25	Commercial Waste	Satisfactory	Satisfactory
26	Housing Benefits	Satisfactory	Satisfactory
27	VAT	Satisfactory	Satisfactory
28	Main Accounting	Good	Good
29	Capital Accounting	Good	Marginal
30	Gas Servicing	Unsatisfactory	Unsatisfactory
31	Pleasley Mills Rent Collection	Marginal	Marginal
32	Frederick Gents Community Sports Centre	Satisfactory	N/A
33	Budgetary Control	Satisfactory	Marginal

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

INTERNAL AUDIT CONSORTIUM**BOLSOVER DISTRICT COUNCIL****Comparison Planned Audits to Audits Completed 2012/13**

Main Financial Systems – Planned Audits	Progress as at 31st March 2013
Main Accounting System	Completed
Budgetary Control	Completed
Capital Accounting and Fixed Asset Register	In Progress
Payroll	Completed
Creditor Payments	Completed
Debtors	Completed
Treasury Management (Loans and Investments)	Completed
Cash and Banking	Completed
Council Tax	Completed
Non Domestic Rates	Completed
Housing / Council Tax Benefit	Completed
Expenses and Allowances	Completed
Housing Rents	Completed
Housing Repairs/Mobile Working	Completed
Stores	Completed
VAT	Completed

Other Operational Audits – Planned Audits	Progress as at 31st March 2013
Resources Directorate	
Cash Floats and Balances	Completed
Neighbourhoods Directorate	
Commercial Waste	Completed
Transport/Council Vehicles/Fuel	Completed
Housing Allocations and Lettings	Completed
Voids/Rechargeable Works	Completed
Health and Wellbeing Directorate	
Creswell Leisure Centre	Completed
Pleasley Outdoor Centre	Completed
Frederick Gent Leisure Facilities Income	In Progress
Ticket Sales for Events – Brass Band Concert	Completed
Renovation Grants (Disabled Facilities Grants)	Completed
Chief Executive's	
Working Neighbourhoods Fund	Completed

Other Operational Audits – Planned Audits	Progress as at 31st March 2013
Members Expenses	Completed
Partnership Working Arrangements	Completed
Development Directorate	
Contract Accounts and Procedures	Completed
Sale of Land and Property	Deferred
Pleasley Mills (Rent Collection)	In Progress
Section 106 Agreements	Completed
Contract Final Accounts	On going

Computer / IT Related – Planned Audits	Progress as at 31st March 2013
Service Desk	Completed
Laptops and Removable Media	Completed

Fraud and Corruption – Planned Audits	Progress as at 31st March 2013
National Fraud Initiative	Completed
Fraud Modules	Completed

Corporate / Cross Cutting Issues – Planned Audits	Progress as at 31st March 2013
Performance Indicators	Completed
Corporate Governance / Assurance Statement	Input to working group
Financial Advice / Working Groups	On going

Client Officer / SMT Issues	Progress as at 31st March 2013
Alliance Accounts / NFI Key Contact Assistance	On going

Special Investigations / Contingency	As required
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Audit Committee / Client Liaison	On going
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Additional Audits	Progress as at 31st March 2013
Gas Servicing (Follow up)	In Progress

**INTERNAL AUDIT CONSORTIUM - SUMMARY OF PROGRESS ON THE
INTERNAL AUDIT PLAN 2012/13 & 2013/14**

MEETING: **BOLSOVER DISTRICT COUNCIL
AUDIT COMMITTEE**

DATE: **26th June 2013**

REPORT BY: **INTERIM HEAD OF INTERNAL AUDIT
CONSORTIUM**

1.0 PURPOSE OF REPORT

1.1 To present, for members' information, progress made by the Audit Consortium, during the period 4th May 2013 to 7th June 2013, in relation to the 2012/13 and 2013/14 Annual Internal Audit Plan. The report includes a summary of Internal Audit Reports issued during the period and Work in Progress.

2.0 BACKGROUND

2.1 The 2012/13 Consortium Internal Audit Plan for Bolsover was reported to the Audit Committee on the 12th March 2012. The Consortium Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report quarterly (or at such intervals as the HIAC may agree with the Committee) to the Audit Committee of each Council on progress made in relation to their Annual Audit Plan.

3.0 SUMMARY OF REPORTS ISSUED

3.1 Attached, as Appendix 1, is a summary of reports issued covering the period 4th May 2013 – 7th June 2013, for audits included in the 2012/13 Consortium Internal Audit Plan.

3.2 Internal Audit Reports are issued as drafts with five working days being allowed for the submission of any factual changes, after which time the

report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.

3.3 The Appendix shows for each report a summary of the Overall Audit Opinion on the audit and the number of recommendations made / agreed where a full response has been received.

The overall opinion column of Appendix 1 gives an assessment of the reliability of the internal controls examined in accordance with the following classifications:

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

3.4 In respect of the audits being reported, it is confirmed that there were no issues arising relating to fraud that need to be brought to the Committee's attention.

4.0 **OTHER WORK IN PROGRESS**

4.1 All agreed work in relation to the 2012/13 Internal Audit Plan has now been completed and reported.

4.2 Work has commenced on audits included in the 2013/14 internal audit plan, the following audits currently being in progress:

- Sickness Absence
- Corporate Targets
- Procurement
- Clowne Sports Centre
- Planning Fees

5.0 **RECOMMENDATION**

5.1 That the report be noted.

6.0 **REASON FOR RECOMMENDATION**

6.1 To inform Members of progress on the Internal Audit Plan for 2012/13 and 2013/14 and the Audit Reports issued.

JENNY WILLIAMS
INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM

BOLSOVER DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit Committee

Summary of Internal Audit Reports Issued – 4th May 2013 – 7th June 2013

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B031	Pleasley Mills Rent Collection	To ensure that all rent is collected promptly and that lettings and terminations are undertaken in accordance with set procedures and controls.	Marginal	14/05/13	5/06/13	8 (2H 4M 2L)	5 Note 1
B032	Frederick Gents Community Sports Centre	To ensure controls and procedures are operating effectively	Satisfactory	17/05/13	10/06/13	4 (2H 2M)	4
B033	Budgetary Control	To ensure that there are sound systems of budgetary control in place	Satisfactory	04/06/13	25/06/13	3 (1H 2M)	Note 2

Notes: For recommendations, H = High priority, M = Medium priority and L = Low Priority.

Note 1 A request for a further meeting to discuss the report and recommendations made has been received. Two recommendations have been disagreed and one requires further discussion.

Note 2 Response not due at the time the report was prepared.

INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2012/2013

MEETING: BOLSOVER DISTRICT COUNCIL AUDIT COMMITTEE

DATE: 26th JUNE 2013

REPORT BY: INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM

1 Purpose of Report

1.1 To present to Members the annual report for the Internal Audit Consortium in respect of Bolsover District Council for 2012 / 2013.

2 Annual Report

2.1 Each year an annual report is prepared comparing actual performance of Internal Audit against the internal audit plan for that year. The report also includes an opinion on the overall adequacy and effectiveness of the Council's control environment, based on the audits undertaken.

2.2 In addition to the Annual Report, quarterly reports are submitted to this Committee summarising Internal Audit Reports issued and recommendations made / accepted.

2.3 The Internal Audit Consortium Annual Report 2012/13 for Bolsover District Council is attached.

3 Recommendation

3.1 That the Internal Audit Consortium Annual Report for 2012/13 be noted.

**J Williams
Interim Head of Internal Audit
Consortium**

Committee:	Audit Committee	Agenda Item No.:	10.
Date:	26 th June 2013	Status	Open
Subject:	Annual Review of the Effectiveness of Internal Audit		
Report by:	Director of Corporate Resources		
Other Officers Involved	Acting Head of Internal Audit Consortium		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

Strategic Organisational Development.

VALUE FOR MONEY

An effective Internal Audit service is a key element of the processes necessary to ensure VFM.

1 Purpose of Report

- 1.1 To provide to the Audit Committee the annual review by the Chief Financial Officer of the effectiveness of the Council's Internal Audit arrangements.
- 12 For the Audit Committee to consider whether the conclusion set out within this report represents a reasonable evaluation of the position in respect of the Internal Audit service and its effectiveness as part of the Council's Governance arrangements.

2 Background Information

- 2.1 The Accounts and Audit Regulations require local authorities to follow proper accounting practices and to maintain an appropriate regime of internal control. These Regulations require that the council will on at least an annual basis conduct a review of the effectiveness of its internal audit service, and that this review will be considered by a

committee of the Council as part of the wider consideration of the system of internal control.

- 2.2 Given the role of the Audit Committee in relation to financial governance and internal control issues it is appropriate that this report is brought before that Committee for consideration. These reviews have been undertaken for each year of operation since the current consortium arrangements with Chesterfield and North East Derbyshire became operational in 1 April 2007.

4 Review of the Effectiveness of Internal Audit

- 4.1 The Chief Financial Officer in reviewing the effectiveness of the Council's Internal Audit Service during 2012/13 is satisfied that an effective service has been provided, and his overall conclusion regarding the service is as follows:

"It is my opinion that the Council's Internal Audit section which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service upon which I can place reliance."

The sections below outlines the evidence which support that judgement, and this Committee are asked to consider and comment upon the reasonableness of the judgement that has been reached.

- 4.2 Firstly, the Internal Audit Consortium has achieved almost all of its Audit Plan in respect of 2012/13, with some 97% of planned audits completed during the course of the year. The Audit Plan is based on a risk assessment process in respect of the Council's systems and internal controls, and the fact that the Plan has been largely completed by the year end does support the view that a systematic review of the Council's activities has been undertaken during the course of the year. The Chief Financial Officer was consulted about the Audit Plan at the start of the financial year, and I am satisfied that it was a robust plan which covered all of our main systems of internal control and areas of identified risk. Likewise the Plan was reported to this Audit Committee at its meeting on the 12th March 2012, where it was given appropriate consideration. Progress against the Audit Plan was reported on by the Acting Head of the Internal Audit Consortium at the previous meeting of this Committee on the 21st May 2013, and I am satisfied that this review gives Members a true and fair view as to progress during the 2012/13 financial year. It should be noted that the Plan in respect of 2013/14 was agreed at this Committee on 12 March 2013.
- 4.3 Secondly, the most direct outcome which arises from the work of Internal Audit is its formal reports, which cover the areas as agreed within the Audit Plan. These reports provide important evidence which enable other stakeholders to evaluate the quality of the work of internal audit. There are a number of quality checks built into the process of

producing and agreeing these audit reports. These include the right of the responsible service manager and Director to comment on the conclusion of the audit and the fact that all of the audit reports which are produced are effectively quality checked by the Director of Corporate Resources who exercises the Council's client function. Reports are also considered where appropriate by both the Council's Corporate Management Team (Senior Alliance Management Team) and by this Committee. This comprehensive range of quality control has not raised any issues which would conflict with my own views that the reports are prepared to an appropriate professional standard. As Chief Financial Officer no issues have been brought to my attention which would suggest that the Internal Audit service is failing to operate to appropriate professional standards.

- 4.4 Thirdly, the audit team operate to recognised good practice as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), in its Code of Practice for Internal Audit in Local Government issued in 2003 (amended 2006). **Appendix 1** summarises the key requirements of the Code of Practice, and comments on the level of compliance by the Council's internal audit service as delivered by the Internal Audit Consortium. There are no significant areas of non-compliance with the Code. Having considered the evidence set out within Appendix 1 the Chief Financial Officer is satisfied that the Consortium is operating in line with the requirements of the CIPFA code. The Council operates its internal audit function in line with best practice as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2010).
- 4.4 It should be noted that the evidence regarding the service which has been considered thus far is essentially the view of the Chief Financial Officer which I have developed in conjunction with other senior officers within the Council. Given that a consideration of the information available to me does not give any grounds for concern I have taken the view that an external validation of the service would not be an appropriate course of action at this point in time. It should be noted that the majority of District Council's continue to rely on an internal assessment of the adequacy of the Internal Audit service rather than commissioning external review.
- 4.5 It should also be noted that the Council's External Auditors for 2012/13 the Audit Commission / KPMG place an on going reliance in its annual audit on the background work of the Internal Audit team in relation to system and other key controls. The work in respect of the 2012/13 financial year was quality assessed by External Audit to ensure that it could place reliance on the work of the Internal Audit team. While there is no formal assurance work undertaken by External Audit they have not raised any issues regarding the quality of the Internal Audit work that is undertaken on the Council's behalf. This does provide some further assurance regarding the appropriateness of the work that is undertaken on the Council's behalf.

- 4.6 Finally, in terms of the judgement regarding the effectiveness of Internal Audit it should be noted that the service has operated within the approved financial budget since its inception in April 2007. Given that these budgets were based upon the Business Case which was developed concerning the Internal Audit consortium as part of the process of setting up the Consortium arrangements, and that the Business Plan explicitly considered best value issues I am satisfied that the service is providing good Value for Money for the Council. Over the period since its inception the audit resource available to Bolsover District Council has been reduced reflecting the requirement within local authorities to secure on going efficiencies. I am also aware that the Head of Internal Audit does give consideration to the overall cost of the Internal Audit Consortium in conjunction with colleagues as part of the meetings of the Derbyshire Chief Internal Auditors Group.
- 4.7 Having considered the evidence above and consulted with my colleagues on CMT (SAMT) and my senior finance officers I am satisfied that the Internal Audit Service is operating at an appropriate standard. I am also of the view that the Consortium has continued to improve the quality of the service that is provided to Bolsover District Council. I am particularly pleased that the Consortium has successfully developed and maintained an appropriately qualified staff team. Given my discussions with the senior staff within the Consortium I am satisfied that the Consortium is in a good position to continue to provide a high quality, cost effective service to the Council. It should, however, be noted that the former Head of the Internal Audit Consortium has retired and that the Council is working with Chesterfield Borough Council (the host authority) to ensure appropriate arrangements are maintained in respect of internal audit.

5 Recommendations

- 5.1 That the Audit Committee consider the views of the Chief Financial Officer in his assessment of the Internal Audit Service during the 2012/13 financial year which is that:
- "It is my opinion that the Council's Internal Audit function which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service which I can place reliance on."
- 5.2 That the Audit Committee make any comments which they consider to be appropriate either on the contents of this report, or on the opinion of the Chief Financial Officer regarding the effectiveness of the Internal Audit service.

Code of Practice for Internal Audit in Local Government

The 2006 Code of Practice consists of 11 Standards. These define the way in which the internal audit should be established and undertake its functions.

Against each Standard there is an outline of what is required by that Standard and comments on the current level of compliance achieved.

Standard		Comment
1.	<p>Scope of Internal Audit</p> <ul style="list-style-type: none"> • Terms of Reference • Scope of Work • Other work • Fraud and Corruption 	<p>The Audit Plan in relation to 2012/13 was considered and approved by this Committee at its meeting of 12th March 2012. Terms of Reference and Policy were reviewed and agreed at the 26 September 2011 meeting of the Audit Committee. These reports effectively established the scope of the work to be undertaken. The Council's Constitution establishes the powers and role of Internal Audit within the authority itself. The Constitution reflects CIPFA guidelines. The Internal Audit team makes a positive contribution to the prevention of fraud and corruption, and to addressing any areas where this may arise.</p>
2.	<p>Independence</p> <ul style="list-style-type: none"> • Principles of Independence • Organisational Independence • Status of the Head of Audit • Independence of individual auditors • Independence of internal audit contractors • Declaration of Interest 	<p>The Internal Audit Consortium is independent in terms of its organisational position and does not undertake any significant non-audit duties. The Head of the Internal Audit Consortium reports to the Chief Financial Officer. There is the right of access to the Chief Executive, other senior managers, Members and the Audit Committee. Individual auditors are aware of the need to maintain independence and report any potential conflicts of interest. A system of declaration of interest forms operates for all internal audit staff and any contractor.</p>
3.	<p>Ethics for Internal Auditors</p> <ul style="list-style-type: none"> • Purpose • Integrity • Objectivity • Competence • Confidentiality 	<p>Appropriate staff have been appointed to all posts, and this is supported by a structured process of training. Issues are covered at Internal Audit Consortium Team Meetings to ensure that all staff are aware of the ethical requirements which underpin their role.</p>
4.	<p>Audit Committee</p> <ul style="list-style-type: none"> • Purpose of the audit committee 	<p>The Council has an active Audit Committee which met 6 times during the 2012/13 financial year, and which operates in line with CIPFA guidelines. The Internal Audit Consortium reports on a regular basis to that Committee</p>

	Standard	Comment
	<ul style="list-style-type: none"> • Internal Audit's Relationship with the Audit Committee 	<p>and covers the following issues:</p> <ul style="list-style-type: none"> - Annual report including opinion on the system of internal control (28 May 2012) - Terms of Reference and Policy (26 September 2011) - Internal Audit Plan (12th March 2012) - Regular formal updates concerning Internal Audit Reports have been brought to all meetings of this Committee. - Reports on Statement on Internal Control Governance / Assurance, (21 May 2013).
5.	<p>Relationship with management, other auditors and other review bodies</p> <ul style="list-style-type: none"> • Principles of good relationships • Relationships with management • Relationships with other internal auditors • Relationships with external auditors • Relationships with other review bodies • Relationships with elected members 	<p>The Head of the Internal Audit Consortium seeks to maintain professional relationships with all the groups listed. The Head of the Internal Audit Consortium is regularly invited to meetings or to take part in discussions to provide advice on control issues. Regular discussions are held with Directors and Core Managers on the outcomes of audits and to inform the audit planning process. The internal audit Consortium operates the Managed Audit approach with the Council's external auditor. Regular reports are submitted to Members of the Audit Committee.</p>
6.	<p>Staffing, training and continuing professional development</p> <ul style="list-style-type: none"> • Staffing internal audit • Training and Continuing professional development 	<p>Audit training needs assessments are undertaken to identify training needs and these are addressed via in house training or sourced from external organisations. The staffing resources of the internal audit Consortium were reviewed as part of the preparation of the Business Case for the establishment of the Consortium, with staffing efficiencies secured on an on going basis. The Head / Deputy Head of the Internal Audit Consortium are participating in the CIPFA continuing professional development scheme and encourage other staff to participate in the CPD scheme. The Head of Internal Audit is an active participant in the Derbyshire Chief Internal Auditor's Group.</p>
7.	<p>Audit Strategy and Planning</p> <ul style="list-style-type: none"> • Audit Strategy 	<p>The Audit Committee approved the 2012/13 Audit Plan on the 12 March 2012, with the underlying Terms of Reference and Policy</p>

	Standard	Comment
	<ul style="list-style-type: none"> • Audit Planning 	<p>having been agreed updated in September 2011. This reflects the fact that an annual plan is reported to both senior management and to the Audit and Corporate Governance Committee each year and at an operational level monthly work plans are produced. These plans are based on a comprehensive risk assessment.</p>
8.	<p>Undertaking Audit Work</p> <ul style="list-style-type: none"> • Planning • Approach • Recording audit assignments 	<p>A Strategic three-year audit plan is compiled following an internal audit risk assessment exercise. The risk assessment and plan is updated each year and the updated plan reported to the Audit Committee.</p> <p>Each audit has an agreed test schedule that identified the controls to be tested and samples to be used. These schedules are drawn up in the light of recognised good practice, and in the light of previous audit experience.</p> <p>Working papers are maintained to record work and conclusions reached / recommendations arising.</p> <p>Follow up work is undertaken, particularly where there are significant issues arising.</p>
9.	<p>Due professional care</p> <ul style="list-style-type: none"> • Principles of due professional care • Responsibilities of the Individual Auditor • Responsibilities of the Head of Internal Audit 	<p>Due professional care is achieved through the supervision and review of the work of less experienced auditors and by the general review of audit working papers and reports.</p> <p>Audit Team Meetings and Staff Reviews reinforce roles and responsibilities which are established in Job Descriptions and Structure Charts.</p> <p>Both the Head of Internal Audit and his Deputy are qualified accountants, with significant experience of working within an Internal Audit environment.</p>
10.	<p>Reporting</p> <ul style="list-style-type: none"> • Principles of reporting • Reporting on Audit Work • Follow-up Audits and Reporting • Annual reporting and presentation of audit opinion 	<p>Reports are issued at the conclusion of each audit. The report is issued to the Director and Service Manager concerned. Each report contains an Implementation Schedule containing all recommendations that requests management to complete and return.</p> <p>An annual report is compiled by the Head of the Internal Audit Consortium and reported to the Audit Committee detailing the comparison of planned to actual days, main matters arising and opinion on the system of internal control.</p>

Standard		Comment
11.	Performance, Quality and Effectiveness <ul style="list-style-type: none"> • Principles of Performance, Quality and Effectiveness • Quality Assurance of Audit Work • Performance and Effectiveness of the Internal Audit Service 	Quality control procedures are maintained by the review of completed audit assignments by the Head / Deputy Head of the Internal Audit Consortium or Senior Auditors. The external auditor reviews various audits each year as part of the process of undertaking its own audit of the Council. The Chief Financial Officer provides an opinion on the effectiveness of Internal Audit on an annual basis. Reports on the performance of the Internal Audit Consortium are taken to the Joint Board established to co-ordinate joint working projects (20 th May 2013).

The above table is based on a self assessment which has been undertaken by the Acting Head of Internal Audit, and agreed with the Chief Financial Officer. It should be noted that following the retirement of the Chief Internal Auditor that the Council is currently working with Chesterfield Borough Council (as the host authority) in order to ensure that the Internal Audit function is adequately resourced going forward. Given that the retirement took place at the end of the 2012/13 financial year any impact on the service during 2012/13 is considered to be minimal.

Committee:	Executive	Agenda Item No.:	11
Date:	10 th June 2013	Status	Open
Subject:	Medium Term Financial Plan		
Report by:	Director of Resources		
Other Officers Involved	Assistant Director – Accountancy and IT. Chief Accountant		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

All.

VALUE FOR MONEY

This report is intended to ensure that the Council has in place an appropriate framework for agreeing and managing the budget. A robust budget process is an essential foundation for securing Value for Money.

PURPOSE OF REPORT

To inform Executive of the work that is currently being undertaken in order to balance the Council's budget in respect of both 2013/14 and 2014/15.

BACKGROUND INFORMATION

The Council agreed its Medium Term Financial Plan in respect of 2013/14 and the following two financial years in the February of 2013. That MTFP has continued to be developed against the background of the Government's Comprehensive Spending Review of Autumn 2010 which set a clear target of reducing the level of government grant provided to local authorities. This reduction in the level of central government support has been the central factor in the ongoing requirement to secure significant year on year budget saving. The savings requirement in respect of the previous two financial years along with that in respect of the current and next financial year is set out in the table below:

	2011/12	2012/13	2013/14	2014/15
	£000's	£000's	£000's	£000's
Annual Savings Target	1,979	975	884	724
Cumulative Savings Target	1,979	2,954	3,838	4,562

While no details at the level of individual local authorities has yet been provided it is clear that the government's plans to reduce the national deficit will require continued reductions in the level of central government financial support to local authorities in 2015/16 and beyond.

In the light of the required level of savings of some £0.884m in respect of the current financial year (2013/14) the Council has agreed a two phase strategy. The first phase consists of securing some £0.615m of savings which were identified at the time of agreeing the budget. It was planned that these would be in place by June 2013 and accordingly the majority of these savings would be secured for the full financial year. The position in respect of securing these savings is set out in section 4 below.

With regard to the residual savings of £0.269m required in respect of the current financial year it was agreed that the issue of securing these savings would be addressed as part of the same process for securing the £0.724m of savings necessary in respect of 2014/15 the next financial year. This result in a combined level of savings required of £0.993m which it is planned to have agreed by the early summer of 2013 with the process of implementation to be completed by the Christmas of 2013. On that basis the Council will enter into the 2014/15 year with a balanced budget. The position in respect of these savings is set out in section 4 below.

EFFICIENCY GRANT

Executive will be aware that the Council is eligible for Efficiency Grant in respect of both 2013/14 and 2014/15. With regard to 2013/14 the amount available is some £1.064m with the information available suggesting that a similar amount will be available in respect of next year. Actual payment of the grant is, however, dependent upon the delivery of a Business Plan which is agreed with the Department of Communities and Local Government. The Council has submitted a Business Case based upon the approach agreed by Members within the Medium Term Financial Plan which has been agreed in principle by the DCLG. While the DCLG have now sent a letter indicating that the grant in respect of 2013/14 will be paid to the Council we await details of the conditions which will attach to that grant payment. In order to secure the Efficiency Grant it is envisaged that the Council will need to demonstrate that it has used the efficiency grant in order to secure underlying reductions in our level of expenditure. One of the main purposes of this report is to agree a detailed plan of work designed to meet the overall budget timetable for this and next financial year as agreed in the Medium Term Financial Plan. This is a key stage in ensuring that we are in a position to secure Efficiency grant which should be worth in excess of £2m in this and the next financial year.

PROGRESS IN ACHIEVING 2013/14 – CURRENT YEAR – SAVINGS

The savings that were agreed in respect of 2013/14 are set out in the table below with the second column detailing the savings achieved to date, while the third column sets out the projected savings at the year end. In the sections below the table a brief narrative is provided outlining the progress that has been made in each of the areas concerned:

	2013/14 £000's	Secured to Date £000's	Projected Outturn	2014/15 £000's
Anticipated Budget Shortfall	884	884	884	1,533
Vacancy Management	(100)	(50)	(100)	(75)
Leisure Services	(60)	(60)	(60)	(60)
Street Scene (Green Bins and Garage)	(75)	(69)	(69)	(75)
BDC / NEDDC Secondments	(100)	(84)	(106)	(150)
One Off Director Secondment Income	(100)	-	(100)	(0)
Property Rationalisation Savings	(100)	(19)	(100)	(100)
Fees and Charges Review	(80)	-	(80)	(80)
Anticipated Budget Shortfall				
Savings to be Identified	(269)	(602)	(269)	(993)
Call on General Fund Balances	0	0	0	0

- Vacancy Management:** With regard to vacancy management a target of some £0.1m has been agreed for 2013/14. Given that the Council is also seeking to save a significant sum by way of secondments while service managers are increasingly of the view that every post which becomes vacant needs to be filled, it is likely to prove necessary to achieve this target by way of options such as vacancy 'drag', maternity leave and by individual members of staff seeking periods of unpaid leave. While the position will require careful management officers are of the view that the target should be achieved by the year end. The position will continue to be monitored as part of the quarterly monitoring process. At this stage of the year we have assumed that £50,000 of savings are in place.
- Leisure Services:** The Leisure Services team are currently in the process of developing and delivering a strategy to reduce the level of subsidy provided by the Council that is necessary to support Leisure facilities in order for them to break even. At this stage Leisure have measures in place which should achieve the agreed target of £60,000 savings. It is, however, anticipated that Leisure Services will make a significant contribution to the wider saving arising from the fees and charges review.
- Street Scene:** The savings from Green Bins and Garage reorganisation had been approved by Council and are in the process of being implemented. At this point in time it is anticipated that the proposals will deliver on going savings of some £69k initially but the full target of £75k over time.
- BDC / NEDDC Secondments:** A report that was agreed the Council at its meeting of March 2013 provided formal agreement to proposals to secure a range of secondments between this Council and our Strategic Alliance Partner North East Derbyshire. The measures already approved by Council will secure savings of some £84,000 and it is anticipated that further measures will be identified during the course of the year which will as a minimum achieve the full £100,000 of targeted savings. While some redundancy and severance payments will be required as a result of this rationalisation which will be charged against Efficiency Grant the Council will achieve its full level of savings in respect of 2013/14.
- One Off Director Secondment Income:** This is performance related income to be earned by the Director of Development in respect of work for a neighbouring

authority. While it is currently anticipated that this one off income will be achieved in reality its achievement is outside the direct influence of this authority and the securing of this income is clearly subject to a number of uncertainties. The position will be kept under review. While this particular income is a one off Executive should note that officers will pursue similar opportunities for income generation should they arise.

- **Property Rationalisation Savings:** This is the final element of the £200k savings to be achieved in respect of the move from Sherwood Lodge to Clowne. It is anticipated that these savings will be secured from a combination of further income together with the identification of efficiencies. At the time the Council moved existing budgets were transferred from Sherwood Lodge to Clowne. The fact that the Clowne building will be cheaper to operate will enable officers to reduce these budgets as we gain experience of operating the building and are in a better position to quantify the savings.
- **Fees and Charges Review:** It is anticipated that these savings will be achieved as a result of the Strategic Income review that is currently being concluded. On the basis of current information the majority of the additional income is likely to arise from work that is being undertaken by Leisure Services as part of their deficit reduction plan.
- **Community Houses:** In addition to the measures agreed as part of the budget strategy the Council has also agreed to reconfigure the services that were previously provided from the Community Houses. The decision to provide the outreach service from locations other than the Community Houses will secure some £19k of savings p.a. arising from a reduction in property costs. Given that the service will be reconfigured rather than reduced this move is predominantly targeted at reducing property costs. Given that these are effectively savings arising from property rationalisation they will be included within that heading in the table above.

On the basis of the above officers are of the view that the measures necessary to achieve the £0.615m of savings will largely be in place by July 2013 and thereafter will generate the targeted level of savings of £0.615m. In order to cover reorganisation and restructuring costs it will, however, be necessary to utilise an element of Efficiency Grant to cover reorganisation and restructuring costs. Given that these costs are an essential investment to secure the efficiencies which will generate on going savings for the Council in respect of both 2013/14 and future financial years this is considered to be an appropriate use of Efficiency Grant which is intended to help the Council make the transition to operating with a significant reduction in its level of government grant.

As part of the process of closing the Council's accounts in respect of 2012/13 Officers believe that it should be possible to identify on the basis of historic spending patterns a further sum of some £0.1m of non employee budget reductions. Further work will be undertaken to ratify these savings and proposals for any budget reductions will be brought forward to Executive for consideration and recommendation to Council where appropriate. These savings will either contribute to meeting any unachieved savings in respect of the £0.615m, or alternatively will be available to meet the target of £0.993m which remains to be addressed.

AMENDING THE STAFFING ESTABLISHMENT TO REFLECT THE MEDIUM TERM FINANCIAL PLAN

A key element of the savings strategy that is built into the MTFP is that where savings are secured by reducing the number of staff either via natural wastage, vacancy management or by redundancy then it is necessary to amend the staffing establishment to reflect the fact that these posts have been removed. By taking the posts out of the staffing structure it is not possible to backfill them at a later stage. Therefore the costs are permanently removed from the budget. Under normal circumstances this is an automatic process with approval by Council being given when any savings proposals and associated staffing structures are agreed.

As part of the on going review of the staffing establishment a limited number of cases where secondments or fixed term contracts have in effect run for a longer period of time than was originally envisaged have been identified. Given that the individuals concerned have acquired full contractual employment rights by way of their length of service in that post Officers are proposing to regularise the current position. That would involve bringing the employees concerned together with what has become their substantive post onto the permanent staffing establishment of the Council. Given that the posts concerned are already funded within approved budgets this move would not have an adverse financial impact on the Council. This would enable the approved staffing establishment to better reflect the reality of the Council's actual staffing structure and employment liabilities. Given that the work involved is essentially an administrative issue of ensuring that the formal structure fully matches the reality of the employment status of individual employees it is recommended that the Chief Executive exercise his delegated powers in consultation with the Leader or Deputy Leader of the Council to approve the resultant changes to the Council's staffing establishment.

PROGRESS IN ACHIEVING 2013/14 RESIDUAL AND 2014/15 SAVINGS

As outlined in the introduction to this report the Council's agreed Strategy in its MTFP was to move to look at achieving both the residual savings of £0.269m in respect of 2013/14, together with the savings of some £0.724m required in respect of 2014/15 during the early part of summer 2013. The total saving required is one of £0.993m and by taking early action the Council can use these savings to balance the 2013/14 position and will be in a position to plan the financial savings required in respect of 2013/14 in order to minimise the impact upon the level of services provided to local residents. Although the savings strategy set out within the MTFP was intended to focus on securing the identified 'easy wins' of £0.615m the Council has agreed a number of work programmes which are being progressed and should generate a contribution towards achieving the £0.993m outstanding. These are outlined below:

- **Strategic Alliance:** Both this Council and our Strategic Alliance partner North East Derbyshire District Council have agreed to work towards identifying further savings of some £0.5m (in addition to the £1.5m already achieved) across both Councils. In addition Officers have been requested to bring forward other options which would secure savings in excess of that figure. Officers have identified a number of options which will be discussed on an informal basis with Members from both authorities before arriving at a view as to which options would provide the most appropriate way forward. Members should note that officers have undertaken a number of informal soundings with officers from neighbouring authorities across both Derbyshire and Nottingham to assess any likely support for the development of shared services. At this stage it has not proved possible to identify any further opportunities for joint working which would generate significant savings. The limited discussions that have taken place are more about service resilience than financial savings. On that basis it would appear to be the case that the Strategic Alliance is

likely to prove to be the only shared service mechanism which will deliver the savings that the Council needs to secure.

- **Property Rationalisation:** Towards the end of the 2012 calendar year Council agreed to provide funding to enable a full stock condition survey of the Council's General Fund Assets to take place. That work is now approaching completion and a comprehensive picture will be brought before Members which will be focussed on assessing whether particular assets are likely to be affordable in the light of their longer term maintenance costs and more general running costs. Aligned to the review of assets an opportunity has been identified to bid for Heritage Lottery Funding in respect of essential structural refurbishment at Pleasley Vale. The first stage of the process is that the Council is required to submit a bid to the Heritage Lottery Fund. Given the limited staffing resources available to the Council it is recommended that consideration be given to utilising external resource to prepare the bid concerned. Initial work would suggest that the cost of developing a bid using external resources would be £5,000. Given that this work would potentially reduce the long term maintenance liability and running costs of Pleasley Mill that fall upon the Council it is recommended that it would be appropriate to charge this cost to Efficiency Grant. Members do, however, need to recognise in committing this expenditure that the bid may not be successful, or the Council may take the view that a refurbishment part funded by the HLF is not in the interest of the Council. However, on balance Officers are of the view that the commitment of this £5,000 from Efficiency Grant will offer the Council good Value for Money in that it may secure significant external funding, while informing the debate regarding how to maximise the value of the Pleasley Vale site over the longer term.
- **Strategic Income Review:** This is a joint piece of work being undertaken with North East Derbyshire which will build on some benchmarking work undertaken by the Regional Improvement and Efficiency Partnership some 3 years ago. A draft report is currently available which will be brought to Members for consideration in the near future. Given that the Government has stressed the importance of raising income on a local basis rather than relying on national grant funding this has been an appropriate piece of work to undertake.
- **Growth Strategy:** A key element of current Government policy in respect of local government is what the Government has termed its localism strategy. This entails providing financial incentives which local authorities will secure where their area benefits from economic growth. With respect to a growth in business activity local authorities are now able to benefit from a proportion of any increase in the level of rateable value. Likewise local authorities will benefit from New Homes Bonus as a result of any increase in the number of occupied homes in their area. While New Homes Bonus is restricted to a 6 year period authorities would continue to benefit from an increase level of Council Tax. For a number of years Bolsover District Council has actively pursued a policy of encouraging development and economic growth which were viewed as the means to improve employment opportunities by way of more or better paid jobs. While Bolsover District Council will continue with its current policies – which have a track record of success – it needs to be recognised that in the short term growth of locally retained NNDR effectively reflects the developments which were already in the process of being brought forward. On the basis of recent success in attracting major investment the Council is anticipating a significant growth in the level of locally retained business rates. Further work is currently underway – including meetings with the Valuation Office - in order to more accurately quantify the potential benefits to the council arising from this initiative. Although the Council is strongly supportive of a growth strategy it needs to be

recognised that facilitating economic growth with the District may be a difficult process and one which is at best only partially within the influence of local government. Whilst officers are of the view that the potential growth in retained NNDR will exceed the projected levels currently assumed within the MTFP, it is anticipated that this will be offset by the ongoing reductions in both general and specific government grant. These are likely to impact in a range of areas such as that of government financial support for welfare reform where risk has been transferred from central to local government.

- **New Homes Bonus:** In order to ensure that the Council is securing the maximum possible financial advantage from the New Homes Bonus an opportunity has been identified to work with Capacity Grid (Liberta) in order to undertake a project to validate the data that is submitted to central government which is used as the basis of the New Homes Bonus calculation. Capacity Grid appear to be the only organisation which have successfully utilised this approach. The basis of the agreement is that Capacity Grid are incentivised by being able to claim 25% of the New Homes Bonus for the first year only in respect of those empty properties which they facilitate moving off the empty property register. The Council would then benefit from an 'additional home' both in the first year and possibly for the full 6 year period for which New Homes Bonus is paid. The Council is in the process of finalising appropriate contractual arrangements with Capacity Grid on the basis that we initially hand over a trial list of half of the current empty property register. Accordingly it is recommended that delegated powers be granted to the Chief Executive to enter into appropriate contractual arrangements with Capacity Grid to undertake work in respect of the Council's Empty Properties register.
- **Welfare Reform:** A number of the elements of the Government's welfare reform agenda have been introduced with effect from the 1st April. It is clear that at this stage the impact of these reforms has been to significantly increase the amount of work that needs to be undertaken in the contact centres and in Revenues and Benefits. On the basis of the information currently available officers are of the view that this represents an underlying increase in the level of work associated with managing the new welfare regime, rather than being an additional workload associated with the period of transition. In the light of this increased administrative burden officers are of the view that consideration needs to be given to ensuring that the Revenues and Benefits teams are adequately resourced to continue to deliver a key range of services to local residents in a timely and effective fashion. These key services include responding to residents, resolution of outstanding issues, assessment of benefit claims and Discretionary Housing Payment, together with the timely collection of debt to ensure that local residents do not fall into a position of having unmanageable arrears in respect of Council Tax. The Government has recently provided additional funding in the shape of the New Burdens grant to support local authorities in effectively addressing the challenges proposed by Welfare Reform. Given the challenges which face this and other local authorities in administering the reformed welfare benefit system consideration will need to be given to ensuring that the revenues, benefits and contact centre teams are adequately resourced. Officers are in the process of developing proposals for consideration by Members which will enable the Council to ensure that its arrangements in these areas of work continue to be fit for purpose and able to adapt to the further challenges associated with the introduction of Universal Credit.
- **Payment Strategy:** As part of the Council's approach to achieving efficiency savings during 2011/12 and 2012/13 a payments strategy aimed at securing financial savings from moving to more efficient means of handling cash payments

was introduced. The two core elements of the strategy were to promote a move to non cash means of payment such as debit cards and direct debits. Considerable progress has been secured with the use of debit cards having increased by some 25% up to 45,000 p.a. in 2012. Given the significant savings that can be secured in both staff time and bank charges from the move to automated payments officers will continue to progress this approach. In addition to securing financial savings automated payments are generally both more convenient and more secure for local residents. The second element of the strategy was to cease taking cash at contact centres and to provide this service by use of a 'paypoint' type network. Having considered this options officers are of the view that the financial savings would be minimal, while local residents appreciate the convenience of using the contact centres. The recommendation that the Council does not pursue this approach any further has been considered by Improvement Scrutiny Committee. They recommended to Executive that the Council do not pursue the element of the Payment Strategy concerned with ceasing cash collection at Council Offices. In the light of the above it is therefore recommended that Executive agrees to continue with the policy of encouraging a move to automated methods of payment, but that the Council notes that it is not considered to be appropriate to cease accepting cash payments at the Contact Centre as a means of securing further financial savings.

PRIORITISING THE PRIORITIES

A central theme of the Council's approach to securing financial savings has been the objective of protecting the level of services to local residents. While the Council has been required to make some significant service reductions in respect of those services where it received specific grants from Central Government (most recently Working Neighbourhoods Fund) these cuts were generally made in respect of time limited schemes such as the Apprenticeship Programme and a range of other projects to address worklessness, rather than requiring reductions in mainstream services. It, has, however, generally proved possible to maintain mainstream services by a combination of service reconfiguration, efficiencies, improved procurement, minor reduction of standards, etc. While in some cases – such as that of the community houses or the transfer of Kissingate Leisure Centre – there has been a significant reconfiguration or changes in the service it can be reasonably argued that the key elements of the service to local residents has been retained. In general terms the Council's performance management framework has been able to manage the reduction in funding in such a way as to minimise the impact on local residents.

While the approach adopted to date has been intended to protect all existing services Bolsover District Council in common with other authorities – is now at a stage where what has been termed the 'salami slicing' approach is unlikely to offer a full solution to the financial pressures that the Council faces. In particular there is now a real concern that if the Council continues to seek to provide the current range of services that it will find itself in a position of operating a range of poor quality services which are susceptible to service failure. It is therefore important that the Council gives serious consideration to the issue of whether there are some lower priority services it would wish to stop providing, or would provide to a significantly lower standard in order to protect the quality of the majority of its mainstream services. In order to establish what the Council's priorities are in the current financial position it is planned to hold a range of events with Members to ascertain where they would see the Council's service priorities as lying.

BUDGET SAVING TIMETABLE AND EFFICIENCY GRANT

Executive will be aware that the securing of Efficiency Grant of some £1.064 m in respect of 2013/14 together with a similar amount with respect to 2014/15 is conditional upon the Council being able to demonstrate to Central Government that it is making appropriate progress in addressing its underlying budget shortfall. A key element in demonstrating to Central Government that it is achieving its savings target is that an appropriate timescale is in place for securing the necessary savings. Accordingly an indicative timetable is set out in the table below. This is based upon the assumption that all reports will be taken initially to Executive before being forwarded to Council for approval where necessary. The mid year review in respect of efficiency grant will be undertaken in September 2013 and it is therefore crucial that by that stage the Council can demonstrate that it has a Business Plan in place which will secure the necessary level of savings.

In order to demonstrate that the Council can secure the necessary savings and to have a robust plan in place by September the following indicative timetable is recommended to Executive:

Committee Date	Issues Considered as part of MTFP Report
10th June Executive	Update Report and Timetable (this report)
8 th July - Executive	Strategic Income Review Property Rationalisation Outcome of Prioritising the Priorities exercise
5th August – Executive	Proposed Budget Adjustments arising from 2012/13 outturn position. Outcome of Peer Review Growth Strategy Update Strategic Alliance Options
2 nd September - Executive	Measures for achieving savings of £0.993m approved for recommendation to Council

September 2013 Efficiency Grant Mid Year Review Submitted

The reports to Executive will also provide further updates in respect of the progress in achieving the targeted level of savings of some £0.615m as outlined in section 4.1 above.

While it is currently envisaged that efficiency grant will be used to cover the costs of restructuring or to provide investment funding for Invest to Save projects, the Council could if it so wished seek to use the Grant to repay debt. On the basis that £1m was used to repay debt then the annual savings would be some £75,000 per annum. While it is envisaged that restructuring, Invest to Save will produce considerably in excess of that amount the use of Efficiency grant to repay debt would provide a guaranteed saving with little or no work required to secure its implementation. If all of the £2m of Efficiency Grant over the two years were invested in repaying debt then the saving would be one of £150,000 which amounts to 15% of the overall saving necessary to secure a balanced budget in respect of 2014/15.

JOINT PROCUREMENT UNIT

Members will be aware that this Council has for some time operated a Joint Procurement Unit which originally covered Bolsover, Chesterfield and North East Derbyshire. More recently the unit expanded to incorporate Ashfield and Mansfield as Member authorities. The unit has brought significant advantages to the Council including the savings which have arisen from purchasing as part of a larger group of authorities, the opportunity to share the costs of undertaking a tender process amongst more than one authority and finally the ability to attract and retain suitably qualified staff. These advantages have secured significant financial savings for the authority over the past few years. Unfortunately in recent weeks the Unit has experienced the resignation of its three qualified staff all of whom have been offered alternative employment with remuneration packages which were significantly above those offered by this Council.

Given the current market conditions for qualified procurement staff it is considered unlikely that this council could successfully recruit to the posts concerned. The Council is therefore likely to find itself in a position where it is not able to provide an effective procurement service for our partner authorities. As part of the discussions with the other authorities involved in the partnership we have been approached by Bassetlaw District Council who have offered to take over the running of the shared service. On the basis of discussions held to date they have the advantage of already having three trained and / or experienced Members of staff in their procurement team and are confident that they would be in a position to source further expertise should that be necessary. They have also indicated that they would be able to operate within current budgets so that the cost of the Unit would not increase for the current members. However, in the case of Bolsover we would lose the ability to charge overheads into the unit which would cost an additional £7,000 p.a.

Negotiations between the authorities in the Shared Procurement Unit and Bassetlaw are currently taking place. On the basis that they can offer an appropriate service then the preferred way forward may well be to accept the offer of Bassetlaw, subject to the clarification of the necessary details, etc. Subject to the satisfactory resolution of outstanding issues it is recommended that Members grant delegated authority for Chief Executive in consultation with the Leader / Deputy Leader to enter into a Shared Procurement arrangement delivered by Bassetlaw Council on behalf of this and other Councils and to make other such changes that are necessary to the Council's staffing establishment in the light of that decision.

ISSUES FOR CONSIDERATION

The Council needs to agree a strategy for addressing the savings target of some £0.993m which includes the residual savings in respect of 2013/14 (£0.269m), together with the targeted savings of some £0.724m in respect of 2014/15. In order to implement that savings strategy it is vital that the Council is able to secure the full £2m of Efficiency Grant which is being provided by the Government over the current and next financial year. This report sets out a plan and an associated timetable for achieving both the level of savings necessary and for securing Efficiency Grant from Central Government. Executive is requested to consider and approve the proposed approach which is set out within this report.

LEGAL ASPECTS

This report is part of the process intended to ensure that the Council achieves its statutory requirement to secure a balanced budget.

RISK MANAGEMENT

The issue of Financial Risk is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. It is important that any measures agreed to address the ongoing reductions in central Government funding are managed in such a way as to ensure that they do not have an unforeseen impact upon local residents. Given the extent of savings which have already been secured – as set out in section 2.1 (above) – it is important to note that approved budgets are now considerably more restricted than in previous financial years and that accordingly the risk of an overspend or failures in service has significantly increased.

In addition to the risk that the Council will not prove able to balance its budget which may lead to a requirement to undertake expenditure reductions which have a significant and unplanned impact on services, if the Council is not able to agree a structured approach to balancing its budget for 2013/14 and 2014/15 then it will run a clear risk of losing Efficiency Grant from central government amounting to in excess of £2m.

POLICY AND PERFORMANCE

The Council's budget in respect of both 2013/14 and future financial years has been planned in order to achieve the Council's service plans and performance targets. Should it not prove possible to operate within the context of agreed budgets and savings targets then this will invariably have an impact on the Council's ability to deliver against agreed service plans and targets.

FINANCIAL IMPLICATIONS

Financial issues and implications are covered throughout the report.

REASONS FOR RECOMMENDATIONS

To ensure that the Council is in a position to operate within approved budgets and to secure the financial efficiencies that are necessary in order to continue to provide services to local residents within the context of ongoing reductions in the level of central government financial support.

RECOMMENDATIONS

That Executive approves:

- (1) The indicative timescale for addressing the Council's budget position together with the work streams as set out in the report.
- (2) That the Chief Executive, in consultation with the Leader / Deputy Leader of the Council, exercise his delegated powers to amend the staffing structure to incorporate those employees who have acquired permanent employment rights on to the Council's Staffing Establishment.
- (3) Notes the position in respect of the Payment Strategy and agrees the recommendation by the Improvement Scrutiny Committee that the Council do not pursue the element of the Payment Strategy concerned with ceasing cash collection at Council Offices.
- (4) Granting delegated powers to Chief Executive in consultation with the Leader / Deputy Leader to determine whether to enter into a Shared Procurement arrangement delivered by Bassetlaw Council on behalf of this and other Councils.
- (5) Granting delegated powers to the Chief Executive to enter into appropriate contractual arrangements with Capacity Grid (Liberta) to seek to maximise the Council's eligibility to New Homes Bonus.
- (6) Approves the allocation of £5,000 of Efficiency Grant in order to develop a business case / bid for securing funding from the Heritage Lottery Fund towards the structural refurbishment of Pleasley Vale Mills.
- (7) Approves the use of Efficiency Grant to cover the restructuring, service reconfiguration and transitional costs as outlined within the report.

Attachments: N

Background papers: None

File References: N/A

20th June 2013



Dear Sir or Madam

The Arc
High Street
Clowne
Derbyshire
S43 4JY

AUDIT COMMITTEE – WEDNESDAY 26TH JUNE 2013

I refer to your recently circulated agenda for the above meeting and now enclose the following item:

Part One – Open Items

Agenda Item 9

Update from Directors concerning Internal Audit Recommendations.
Page 48 to 49

Agenda Item 11

Draft Statement of Accounts including Annual Governance Statement 2012/13.
Pages 50 to 164.

Yours faithfully,

A handwritten signature in blue ink, appearing to be "W. Lumley".

Chief Executive Officer

To: Chairman & Members of the Audit Committee

ACCESS FOR ALL

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Chief Executive Officer: Wes Lumley, B.Sc. F.C.C.A.



The Government Standard

Committee:	Audit Committee	Agenda	
Date:	26 th June 2012	Item No.:	9.
		Status	Open
Subject:	Driving Licence Checks		
Report by:	Director of Neighbourhoods		
Other Officers Involved	Assistant Director Human Resources		
Director	Director of Neighbourhoods		
Relevant Portfolio Holder	Councillor Dennis Kelly, Portfolio Holder for Environment		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

All

VALUE FOR MONEY

This report is intended to form part of a process of improving the Council's Internal Control Arrangements. Such arrangements are an essential foundation for securing Value for Money.

The Council has an existing Driving at Work Policy which requires driving licence checks to be undertaken on an annual basis for drivers of Council vehicles. This Policy is currently being reviewed in conjunction with North East Derbyshire District Council with the intention of having a common Policy and process across both Councils.

An employer's statutory duty of care is set out at Section 87 (2) Road Traffic Act 1988 which states *"It is an offence for a person to cause or permit another person to drive on a road a motor vehicle of any class if that other person is not the holder of a licence authorising him to drive a motor vehicle of that class."*

The revised Policy was being drafted by the former Health and Safety Officer but following his departure this is now being picked up by the shared Fleet and Transport Section. Part of the considerations for the revised Policy is what systems the Councils need to have in place to check all drivers' licences. At the time of adopting the current Policy the need for regular driving licence checks was only included for drivers of the Council's own vehicles and not "grey fleet" users who drive their own vehicle for works purposes. The advice at that time was that the certification on each mileage claim by the driver that they have the necessary business use insurance

was sufficient to meet the Council's statutory duty. On an annual basis payroll also require the production of a copy of the relevant insurance certificate. Concerns were also expressed at that time about the resources required to carry out any more stringent checks for grey fleet users, e.g. MOT and driving licences. The statutory duty does not include a requirement to check e.g. MOT's and it must be remembered that it is the responsibility of each and every driver to ensure that their vehicle is roadworthy and that it and they meet all statutory requirements. For any documents produced they are only a "snapshot" in time and we are always reliant upon drivers to update us of any changes either in their licence or in respect of their vehicle.

Currently Streetscene undertakes annual licence checks of Council operated fleet vehicle drivers though this is time consuming. This generally takes up to 6 weeks, which includes photo copying of the original driving licence paper & card, further checking of categories, chasing up any missing licences and updating systems. As part of the revised Policy it is intended to undertake these checks twice each year. We are also planning to do a full driving licence check at the beginning of August which will enable us to update the information for the vehicle tracking system which should reduce some of the extra work involved in 6 monthly checks.

However, the grey fleet poses numerous other issues for drivers' licence checks in that, there may be staff changes on a frequent basis throughout the organisation which would require information from either the individual department or Human Resources. This itself would create another strand of administration requiring access to other systems which also currently hold information on individual employees which is subject to Data Protection. As part of the considerations of the revised Policy the Assistant Director of Human Resources has confirmed that her department will absorb this work to mitigate the amount of resources required.

Prior to adoption of the revised Policy formal consultation will be required with Trades Unions. Members will recall that when the original Policy was presented the Trades Unions raised a number of objections on the requirements placed upon drivers e.g. the number of penalty points on a drivers licence that would be accepted by the Council for certain types of vehicles. It is anticipated that a draft Policy will be circulated to relevant officers for comment in July prior to referral to Members at both Councils.

Recommendation

That the report be noted

Committee:	Audit Committee	Agenda Item No.:	11.
Date:	26 th July 2013	Status	Open
Subject:	Draft Statement of Accounts Including Annual Governance Statement 2012/13		
Report by:	Director of Corporate Resources		
Other Officers Involved	SAMT, Accountancy team.		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

Strategic Organisational Development.

VALUE FOR MONEY

Effective closure of the Accounts in line with the required timescale is a key element in promoting value for money within an authority

1 Purpose of the report

- 1.1 To note the provisional outturn position in respect of 2012/13 as set out within the proposed introduction to the Accounts provided by the Chief Financial Officer.
- 1.2 To note that in line with the Accounts and Audit Regulations 2011 that the Chief Financial Officer will sign off the draft Statement of Accounts on behalf of the Council. The draft Statement of Accounts will be submitted for External Audit on the 30th June 2013.
- 1.3 To obtain final approval for the Annual Governance Statement 2012/13 which will be published alongside the Council's Statement of Accounts.
- 1.4. To allow the Audit Committee to consider the draft Statement of Accounts before they are submitted for Audit.

2 Background Information

- 2.1 An amendment to the Accounts and Audit Regulations which came into force in April 2010 significantly changed the process of preparing local authority accounts. In previous financial years local authorities were required to prepare a draft Statement of Accounts within a three month period of the close of the financial year in question (by the end of June). The draft Statement of Accounts was then formally approved by a committee of the Council, before being submitted for External Audit. A final audited version of the accounts incorporating all changes agreed with the external auditors then had to be approved by a committee of the Council before the end of the September (within 6 months of the year end).
- 2.2 The procedures that are now in place are more in line with those which apply to company accounts and Members will now only be requested to approve the annual accounts after the findings of the independent external audit are known. At the end of June the draft accounts will be signed off by the Chief Financial Officer, with the audited accounts being brought back to the meeting of this Committee on the 24 September 2013 for approval on behalf of the Council.
- 2.3 The section below sets out some key details regarding the outturn position in respect of the financial year 2012/13, which is reflected in the draft Statement of Accounts.

3 Summary of Results

- 3.1 A summary of the financial outturn in respect of 2012/13 is provided within the Explanatory Foreword to the Statement of Accounts by the Chief Financial Officer. A copy of the proposed Foreword is attached as Appendix 1 to this report. It should be noted that a further report detailing the variances between the budgeted and the outturn position will be taken to the July meeting of Executive. That report will include detailed explanations of any significant variations between the outturn position and the budget, and will outline any impact of the closure of the 2012/13 Accounts on the approved Medium Term Financial Plan.
- 3.2 It should be noted that within the published accounts themselves - which are the main focus of this report - that the variances between budget and outturn are masked by the fact that the published accounts include pensions (IAS19), capital charges (depreciation, impairment, gain or losses on disposal of assets) and other accounting adjustments which need to be reflected in the Council's accounts in line with the Code of Practice on Local Government Accounting and International Financial Reporting Standards (IFRS) requirements. While these adjustments are required to reflect good accounting practice and to provide comparable figures with other financial statements (including other local authorities) they do make the published accounts less useful as an internal management review and control tool within the authority. Members should also note that the figures provided within this report remain subject to External Audit.
- 3.3 A draft pre audit version of the Statement of Accounts will be provided for information at Appendix 3. This Statement will be circulated following on from the main report in order to enable some supporting details to be incorporated within the Audit Committee draft. The fact that the draft version is available for the meeting of Audit Committee does demonstrate that the Council has complied with its Accounts

closedown procedure and has built into the timetable appropriate time for checking the Statement of Accounts.

4 Annual Governance Statement

- 4.1 The proposed Annual Governance Statement for 2012/13 is attached as **Appendix 2**.

5 Legal Issues

- 5.1 The Statement of Accounts is required to be prepared by the 30th June each year. The Council has now completed the accounts and they will be signed off by the Chief Financial Officer on the 30th June 2013 which will secure compliance with the Council's legal obligations.

6 Financial Implications

- 6.1 The financial implications are set out within the body of the report. Further reports will be brought back to Members setting out the detailed variances in respect of the 2012/13 outturn, and that report will consider whether the evidence from the outturn position will provide the opportunity for budgets in respect of 2013/14 and future years as set out within the Medium Term Financial Plan to be amended.
- 6.2 Members should note that the budgets against which we have monitored the 2012/13 Outturn were those agreed within the Council's Medium Term Financial Plan. The Medium Term Financial Plan gave careful consideration to both the affordability of the budgets that were approved, and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management. The fact that the outturn position for 2012/13 indicates that these financial targets have been achieved, gives the Council a firm foundation from which to achieve the service delivery and financial targets approved within the Medium Term Financial Plan.

7 Equalities Issues, Human Resource Implications, Environmental Considerations, Crime and Disorder / Community Safety Implications

- 7.1 There are no direct implications.

8 Risk Management

- 8.1 There are no issues concerning Risk Management arising directly out of this report

9. Reasons for Recommendations

- 9.1. To ensure that the Council's draft Statement of Accounts are appropriately approved by the Council, including in particular the endorsement by the Audit Committee of the Annual Governance Statement.

10 Recommendations

- 10.1 That the Director of Corporate Resources in his capacity as Chief Financial Officer be authorised to sign off the draft 2012/13 accounts on behalf of the Council.
- 10.2 That the Audited Statement of Accounts 2012/13 be brought to this Committee at its meeting on 24 September 2013 for approval on behalf of the Council.
- 10.3 That the Committee note and approve the final version of the Annual Governance Statement in respect of 2012/13 which is attached as **Appendix 2** to this report.
- 10.4 That the Committee note the Explanatory Foreword from the Chief Financial Officer which it is intended to incorporate within the Council's Statement of Accounts.

Background Documents

Location

Final Account Working Papers

Accountancy Section

APPENDIX 1

Introduction by the Director of Corporate Resources

As the Council's Chief Financial Officer, it is my pleasure to provide this foreword to Bolsover District Council's Statement of Accounts for 2012/13. The Statement of Accounts covers the period 1 April 2012 to 31 March 2013 and this foreword provides a summary of the position of each of the main accounts of the Council and highlights specific issues regarding the Council's financial position as at 31 March 2013.

General Fund

The Council's main revenue account is known as the General Fund. This shows the cost of all services with the exception of Council Housing. The General Fund budget is supported by the council tax which in 2012/13 was held at 2011/12 levels. The council tax freeze meant that Bolsover District Council's Band D Council Tax charge was £158.15 for the year.

It was always clear that the 2012/13 financial year would present a challenge to the Council to demonstrate strong financial control whilst maintaining high quality services for the residents of Bolsover. The 2012/13 budget was the second year in which the Council has been required to operate within the financial settlement established by the Government's Comprehensive Spending Review of Autumn 2010. Bolsover District Council suffered a reduction in Government Grant of £0.727m in 2012/13 which together with other financial costs resulted in a budget shortfall at the outset of the year of £1.496m. Due to the scale of the grant cuts the Council qualified for Transition Grant (£1.93m) from the Government to assist the Council with the costs of achieving efficiency and savings targets. The budget agreed in the February of 2012 set the Council some challenging financial targets. While an appropriate range of savings measures had been agreed it was crucial that these were implemented and generated financial savings during the course of the year.

During the year the following major changes were introduced in order to protect services whilst delivering the necessary financial savings:

- The third phase of the Strategic Alliance work was commenced which saw the two councils (Bolsover District Council and North East Derbyshire District Council) combine the Assistant Director management level with effect from April 2012.
- A Service Review programme for Corporate Resources and Street Scene was ongoing during the financial year.
- A joint Environmental Health Service was in place from March 2012.
- The Council completed the transfer of the Kissingate Leisure Centre to Shirebrook Parish Council.
- The asset rationalisation plan saw the relocation of the Council's main administration base from Sherwood Lodge, Bolsover to The Arc, Clowne.

Across the Council departments reviewed the manner in which they delivered services and re-engineered processes and procedures in order to generate efficiency savings.

A range of secondments between Bolsover District Council and North East Derbyshire District Council were approved and a number of officers undertook a “shared” role across the two Councils as vacant posts arose.

A vacancy freeze was maintained throughout the year.

A combination of the above actions together with effective budget monitoring and a Member led efficiency process ensured the necessary savings were identified and achieved with minimal impact upon service delivery. The revised budget process demonstrated that the financial position would ensure there was no call upon General Fund balances and as the budget monitoring progressed it became clear that the ongoing efficiency measures and careful budget management would deliver an under spend in the year. The Council was therefore able to meet all its efficiency and savings targets, draw less from the Transition Grant than planned and put £0.053m into the General Fund balances at the year end. This means that the balance on the General Fund Reserve has been increased to £1.442m, which is now at a more appropriate level for the Council.

While the financial position of the General Fund continues to improve it needs to be recognised that the current level of balances is adequate rather than generous and that against the background of ongoing reductions in the level of Government funding it is crucial that the Council continues to maintain robust budgetary control and secure its ongoing savings targets.

The Housing Revenue Account (HRA)

The Housing Revenue Account is a legally separate account, which ring fences all council house rents. Rental income is then used to meet the costs of managing and maintaining the Council’s housing stock. The Council continues to operate in accordance with the Government rent restructuring criteria which required an average increase in rents to our tenants of 9% for 2012/13.

The HRA Self Financing reform was agreed and implemented on 28 March 2012 with 2012/13 being the first year of operation for the reformed system. The changes took the Council out of the national subsidy system which required a commitment to pay over annual negative subsidy (£5.3m in 2011/12) based on an estimated rent surplus. This was replaced by the costs of financing of the loan that was undertaken to buy the Council out of the subsidy system. For BDC the additional loan that was borrowed to meet the Self Financing settlement in March 2012 was £94.386m. The Council borrowed £88m to cover the settlement from the Public Works Loan Board with the balance from utilising positive cash flows from reserves and balances. The PWLB loans secured better interest rates than anticipated and the interest savings were utilised to commence the debt repayment earlier than originally planned (£1m) and set up an earmarked reserve to finance new housing projects £1m.

The outturn for the Housing Revenue Account was a net surplus of £0.752m which was in line with the revised budget. This leaves the HRA balances at £1.776m. During 2013/14 the Council’s Medium Term Financial Plan is aiming to further increase the level of HRA balances by £0.024m. This should see the level of HRA balances at a figure of £1.800m which will give the Council a more robust financial position - which is appropriate under the self financing regime - from which to manage its housing stock for the benefit of our tenants.

Capital expenditure and resources

The Council has invested £10.932m on capital schemes in the year. The main capital schemes delivered in 2012/13 by the Council were:

- Project Horizon (The relocation of the Council's administration accommodation to Clowne) £5.057m
- Shirebrook Enterprise Centre (The Tangent) £1.867m
- Investment in the Council's housing stock of £2.779m;
- Private Sector Disabled Facilities Grants and Home Improvement Grants of £0.202m
- Vehicle Replacement £0.403m
- Other capital schemes £0.624m

The capital programme was financed in the year utilising major repairs reserve, grants, operating leases, prudential borrowing, revenue contributions and usable capital receipts from asset sales. Prudential Borrowing was used as a temporary measure pending securing capital receipts which it is anticipated will be received in the 2013/14 financial year.

Treasury Management

At 31 March 2013, the Council had a total capital financing requirement of £115.799m. This is a net increase in the year of £3.084m. The net increase reflects prudential borrowing of £5.008m and debt repayments of £1.924m. The main element of the prudential borrowing relates to the acquisition and refurbishment of the new Council offices at Clowne (£4.907m) and replacement vehicles via finance lease of (£0.101m). The level of debt repayment reflects the Council's commitment to repay the HRA self financing loan over the 30 period of the business plan (£1m), the debt outstanding on council house sales (£0.393m) alongside the approved scheduled debt repayments in the year.

To meet the capital financing requirement the Council has external debt from loans from the PWLB (£107.100m) and from finance leases (£0.173m). The remainder is effectively financed from utilising Council reserves and balances (£8.526m). The amount of interest paid by the Council in 2012/13 amounted to £3.722m and interest earned on balances during the year amounted to £0.152m.

Assets

During 2012/13 the main changes with regards to the Council's assets arose from the transfer of the Kissinggate Leisure Centre and land to Shirebrook Parish Council, the sale of 26 council dwellings, the demolition of 26 Tarran properties and the completion of 19 new build Council dwellings at Langwith Junction.

Asset valuation changes have no impact on the Council Tax Payer or Housing Tenants but show as an increase or reduction in the net worth on the Council's Balance Sheet

Reserves and Balances

The Council holds usable reserves and balances totalling £13.184m. These include general reserves of £3.219m (General Fund and Housing Revenue Account general reserves discussed earlier). Additionally, the Council has £2.496m that relates to unapplied revenue and capital grants, earmarked general fund revenue reserves of

£4.509m, earmarked HRA reserves of £1.056m, useable capital receipts of £0.019m and £1.885m major repairs reserve at 31 March 2013.

Collection Fund

In 2012/13, £20.044 million of Business Rates income was raised, of which £19.950m was paid over to the Government. The Council received £5.514m of redistributed non-domestic rates.

The Collection Fund Account has a deficit balance of £0.046m at 31 March 2013. The deficit will be collected from the precept authorities during 2013/14. The Council's share of the deficit is £0.008m.

Pension Fund Reserve

The Council's position with regard to the pension fund administered on its behalf by Derbyshire County Council has seen an increase in the liabilities of £14.771m and an increase in the fair value of assets of £7.201m. The net movement is an increase in liability of the fund of £7.57m. The increase in the net liability is mainly caused by actuarial losses on assets and liabilities. Together with the Crematorium pension deficit the fund shows a net increase in the pension liability of the Council by £7.573m to £40.053m at 31 March 2013.

Planned Future Developments

The Council plans its finances over the medium term (three years) and regularly reviews its spending plans in light of changing priorities, external factors and projected financial forecasts to ensure that they remain robust and sustainable over the longer term.

General Fund

The Government's spending review of 2010 meant that the Council has seen a reduction in its revenue grants of £0.299m in 2013/14 with further reductions of £0.832m anticipated for 2014/15. Given the work that has already been undertaken the Council is confident of delivering the required savings needed to balance the budget in 2013/14 and is considering how the 2014/15 savings will be delivered. Some of the savings areas being delivered in 2013/14 by the Council are:

- Asset Management - Consolidation of the savings secured from Project Horizon together with a further review of the Council's remaining assets
- Leisure Services - Programme to deliver savings on operational costs
- Develop and implement an Income Generation Strategy
- Completion of the Street Scene and Garage Review
- Extend the scope of the work undertaken through the Strategic Alliance
- A peer review of the Strategic Alliance including the Council's growth strategy and corporate aims.

The Council is also mindful of the following areas that will impact upon its financial position in 2013/14 or the near future:

- The impact of first year of both the new Business Rates retention scheme and the Localised Council Tax Benefits are being monitored closely both to manage in year expenditure and to inform our financial planning concerning future years.
- The impact on services arising from the Governments Welfare Reforms during 2013.

- The Governments 2013 comprehensive spending review is anticipated to require further grant reductions to local government
- The result of the Actuarial revaluation of the Derbyshire Local Government Pension Scheme is due to be announced in October/November of this year and will impact on the Councils contributions to the pension fund from April 2014. Early indications are that further increases in contributions may be required.

Housing Revenue Account

As part of the HRA 30 year business plan the Council has agreed to undertake a full stock condition survey during 2013/14 in order to gather more robust data on the condition of the housing stock. Future investment plans will be informed by the information secured by this survey.

The Council has also committed to build 35 new dwellings New Houghton which will be a mix of 20 bungalows and 15 houses.

Summary

While 2012/13 has been difficult year in financial terms there is a clear awareness throughout the Council of the challenges that the authority is facing. A strong and effective culture of financial management across the authority is being developed which it is anticipated will enable us to deliver both a balanced financial outturn together with a reduction in the underlying level of expenditure whilst maintaining standards of service. We will continue to work to ensure that this progress is maintained in 2013/14 and future years against the background of a more challenging financial environment for local government. As a Council we are determined to work with and to meet the needs and expectations of local residents, our tenants and our key partners.

Finally, we realise the value of closing our accounts promptly to provide up to date financial information on which to base our future plans. It needs, however, to be recognised that preparing these accounts becomes increasingly complex every year as the requirements of good accounting practice continue to grow more stringent. The staff involved in this process, deserve credit for ensuring that these financial statements have been produced in a timely and professional manner.

Bryan Mason
Chief Financial Officer

APPENDIX 2

BOLSOVER DISTRICT COUNCIL DRAFT GOVERNANCE STATEMENT

Scope of Responsibility

Bolsover District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Bolsover District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bolsover District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Bolsover District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

A copy of the authority's code is on our website at www.bolsover.gov.uk or can be obtained from the Council's Governance Team. This statement explains how Bolsover District Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bolsover District Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Bolsover District Council for the year ended 31 March 2013 and up to the date of approval of the Annual Report and Statement of Accounts.

The Governance Framework

The key components of the systems and processes that comprise the authority's governance arrangements include the following:

Bolsover District Council sets out its objectives within its Corporate Plan which is linked to both the Community Strategy and to a range of other Strategies and Plans. Bolsover District Council has a formal constitution in place which sets out the roles and responsibilities of both Members and Senior Managers. The Constitution is available on the Council's website and is reviewed on an on-going basis. Policy and decision making is by means of an Executive Structure with Executive Member Portfolio holders. There are 3 Scrutiny Committees aligned to the Council's Corporate Plan Targets, together with a Budget Scrutiny Committee made up of all scrutiny members and an over arching Scrutiny Management Board. The Council also has both an Audit Committee which provides independent challenge and assurance regarding financial governance and risk management, and a Standards Committee which has responsibility for overseeing the operation of the Members Code of Conduct.

Bolsover District Council takes a number of steps to help ensure compliance with established policies, procedures, laws and regulations. There is a comprehensive corporate induction process, with a variety of awareness raising and training events being undertaken for both employees and Members. All staff have access to key policies and procedures which are readily accessible on the intranet. Formal Codes of Conduct are in operation for both Members and Officers. The Council has adopted a formal Anti Fraud and Corruption policy characterised by zero tolerance, with this approach informing the Council's governance and internal control arrangements. To support these high standards of openness and probity the Council has in place an effective complaints policy and procedures together with a whistleblowing policy.

The District Council has a Risk Management Strategy and associated framework in place, which is reviewed on a regular basis with independent assurance provided by the Audit Committee. The Council has embedded Risk Management by ensuring the provision of appropriate training, by regular reviews of the Strategic Risk Register, by incorporating the Service Risk Registers within the Service Planning process, and by requiring that all Committee Reports include a Risk assessment. The Risk Management Framework includes a quarterly reporting process which is integrated with our Performance and Financial management arrangements.

Bolsover District Council has a number of mechanisms in place for ensuring the economical, effective and efficient use of resources, and to ensure that we secure continuous improvement in the manner in which our functions are exercised in order to comply with the requirement to provide best value. Effective use of resources is ensured by a robust range of mechanisms including a range of consultation with local residents and other stakeholders, a well developed corporate and service planning process, by the careful consideration of service performance and development in order to ensure that our services are targeted at addressing priority requirements. Economy and Efficiency are ensured by good procurement practice, and by services which are responsive to customer requirements and operated in line with good practice.

A Scheme of Delegation sets out the powers of Senior Officers, while the Financial Regulations and Contract Procedure Rules are an integral part of the Constitution. The performance against budget is monitored on a continuous basis with cost centre managers having access to the financial ledger, while the accountancy team provide monitoring reports on a monthly basis. The Council is moving to a position where its quarterly

reporting process is delivered through quarterly meeting with all Directorates where Performance, Finance and Risk are considered. Our approach is intended to ensure that any significant budget variances or performance issues are identified at the earliest opportunity. Formal monitoring reports are taken to Executive, with these reports then being forwarded to Budget Scrutiny and Audit Committees.

Performance Management is at the core of our managerial arrangements with quarterly reports on Corporate Plan Performance being provided to Executive. The Council monitors progress against a range of performance targets which incorporate both national and local priorities. Performance Targets together with key operational priorities are set out within the Corporate Performance Management Framework and supporting Service Plans. These in turn are linked to the Council's Corporate Plan and supporting Plans and Strategies to help ensure that our resources are utilised for the achievement of agreed priorities.

The District Council contributes to the delivery of the Community Strategy for our residents through the Corporate Plan and the range of associated Plans and Strategies. The Council updates its Service Planning Framework on a regular basis and reports publicly to ensure our residents are kept informed regarding progress on those issues which they view to be critical to the wellbeing of our community. Reports which are available to residents include those of all formal meetings - including Scrutiny - which are available on the website, articles in the Council's newsletter 'In Touch' which is distributed three times a year, briefings to the local press and public consultation. Progress against the Council's key priorities is reported to Executive on a quarterly basis as part of the suite of Performance reports.

The District Council, working with our local community and key partners has agreed a vision and core values which are supported by a range of 6 corporate aims which were set out within the Council's Corporate Plan for 2011 - 15 as follows:

- Community Safety - Ensuring that communities are safe and secure.
- Customer focussed services – Providing excellent customer focused services
- Environment - Promoting and enhancing a clean and sustainable environment;
- Regeneration - Developing healthy prosperous and sustainable communities;
- Social Inclusion - Promoting fairness equality and lifelong learning;
- Strategic Organisation Development - Continually improving our organisation;

These aims provide a focus for the development of partnership working, delivery of our services, and for planned improvements and rationalisation of the services which are currently provided. The emphasis on progressing these aims is illustrated by the fact that all reports to Committee set out which of the Corporate Aims they are seeking to promote, while the Council undertakes an ongoing review of its services through the service planning process and by the review processes which include Performance Management by Executive and the work of the Scrutiny function.

Review of Effectiveness

Bolsover District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The arrangements for the provision of internal audit are set out within the Council's Financial Regulations which are part of the Council's Constitution. The Chief Financial Officer is responsible for ensuring that there is an adequate and effective system of internal control relating to both the Council's accounting and its other systems of internal control as required by the Accounts and Audit Regulations 2011. As required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government the Council's Chief Financial Officer is professionally qualified, reports directly to the Chief Executive and is a full member of the Corporate Management Team.

The internal audit provision has from the 1st April 2007 been independently managed by the Head of the Internal Audit Consortium. This is an arrangement for the provision of Internal Audit on a consortium basis by Bolsover, Chesterfield and North East Derbyshire, with the service being hosted by Chesterfield Borough Council on behalf of the three authorities. The Internal Audit function operates in accordance with both the CIPFA Code of Practice for Internal Audit in Local Government 2006 and with the CIPFA Statement on the Role of the Head of Internal Audit (2010). The work to be undertaken is set out within the Audit Plan. This Audit Plan is prepared by the Head of the Consortium and is prioritised in order to reflect the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. Audit work involves reviews of the main financial systems, scheduled visits to Council establishments and fraud investigations. The annual work plan is discussed and agreed with the Council's Section 151 officer, and with the Audit Committee. It is also shared with KPMG the Council's external auditor. This is part of a process of liaison intended to ensure that the work of internal and external audit is complementary and that duplication is avoided. The Internal Audit reports which arise out of the process include an assessment of the adequacy of internal control, and set out recommendations which are aimed to address those areas where potential for improvement has been identified. These are submitted to the relevant officers within the Council who are required to implement any accepted recommendations. The outcome of the process is reviewed by the Chief Financial Officer, by the Council's Corporate Management Team (SAMT) and by the Audit Committee.

The Council's review of the effectiveness of the system of internal control is informed by:

- There is a Constitution in place which provides a formal Governance framework, with decisions taken in an open and accountable fashion. Internally, those decisions are subject to Scrutiny, and the Council has an active Standards Committee;
- The Council has suitably qualified and experienced officers undertaking the statutory roles of Head of Paid Service (Chief Executive), Monitoring Officer and Section 151 Officer.
- Assurances from the responsible Directors based on management and performance information, officer assurance statements, Scrutiny reports and the outcome of internal reviews including those looking at joint services.
- The work undertaken by the Internal Audit consortium during the course of the year;
- The work undertaken by the external auditor as reported in their Annual Audit and Inspection letter and in the Annual Governance Report;

In addition to giving appropriate consideration to the Council's internal Governance arrangements it needs to be recognised that that Council is working in a number of partnership arrangements. We are operating a range of shared services both with our Strategic Alliance partner North East Derbyshire and with a range of other local authorities including Chesterfield and Bassetlaw. We also have an active Local Strategic Partnership which engages with a range of local partners. We are a full member of the Sheffield City

Region Local Enterprise Partnership while other partnerships include that with D2N2 the Derby, Derbyshire, Nottingham and Nottinghamshire Local Enterprise Partnership, the Community Safety Team and local NHS bodies where partnership working supports the delivery of services to local residents. Where the Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision and core values and that they are subject to appropriate governance and performance management arrangements. This assurance is gained by ensuring that the Council's involvement within partnerships, or any significant change to those partnership arrangements is formally approved by the Council. The outcomes of partnership working are considered within the Council's Performance, Finance and Risk Management framework with any issues identified being reported to the Council where appropriate.

Significant Governance Issues.

The Council's External Auditors KPMG restrict their comments to the Published Accounts and as to whether the Council provides Value for Money. KPMG replaced the Audit Commission as the Council's auditors in November 2012. The most recent review of the Council by external audit was provided by the Audit Commission – the Council's previous auditors - in its Annual Audit Letter relating to the 2011/12 Accounts. This letter which was reported to the Council meeting on 17 October 2012 gave an unqualified opinion in respect of the published accounts. However, the letter also reported that the External Auditors had issued an adverse Value for Money conclusion which concluded that the Council had not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The adverse value for money conclusion issued by external audit at the close of the 2011/12 financial year was one element in a range of criticism of the Council's Governance arrangements. These issues were summarised in a critical Annual Governance Report 2011/12 issued in September 2012. During the 2011/12 financial year the Audit Commission also issued a very critical report concerning the governance of contracts. It needs to be recognised that both External and Internal Audit were very critical of aspects of the Council's management arrangements during 2011/12. While significant progress in improving the quality of the Council's Published Statement of Accounts was acknowledged the overall tone of the Annual Governance Report 2011/12 was critical with the External Auditor's concluding that:

- The Council could not demonstrate that it had adequate arrangements in place to secure value for money.
- Arrangements for the Governance of contracts were weak.
- Financial control in the Council had fallen below the required standard in areas such as budgetary control.
- Project Management arrangements were weak especially in respect of risk management and initial options appraisals.
- The improvement that was required in the quality and timeliness of information used to measure performance against corporate target had only partially been achieved.

In addition to the criticisms of External Audit Internal Audit undertook some 28 separate audits reviewing internal control arrangements during 2011/12. Of these some 9 areas were judged to be marginal while 4 areas were unsatisfactory. On this basis almost 50% of the areas considered had internal control arrangements which fell below a desirable level. Given the extent of the weaknesses identified during 2011/12 the Council has sought to address these areas in 2012/13. In view of the extent of the issues that were identified it could not have been expected that all of the areas of concern would have been fully

resolved in 2012/13. The Council is, however, of the view that significant progress has been secured in addressing these concerns. In particular our financial management and budgetary control arrangements are now robust and the Council is on target to secure a balanced budget in respect of 2012/13 despite commencing the year with a significant level of savings to be identified. We are in the process of embedding improved arrangements for managing finance, performance and risk, whilst significant progress has been made in resolving issues around the governance of contracts. The Audit Committee is playing an effective role in monitoring the governance arrangements of the Council with regular updates being provided concerning the position in respect of identified weaknesses, while the Budget Scrutiny Committee has helped ensure that Elected Members are fully informed of the Council's financial position.

While there is clear evidence that the Council has moved to address the weaknesses that have been identified internal audit reports during 2012/13 have continued to identify weaknesses in internal control in a number of areas. While there is evidence that the position has improved since 2011/12 of the 22 reports issued in 2012/13 ten were judged to be marginal, with one judged to be unsatisfactory. On this basis some 50 % of the areas considered had internal control arrangements which fell below the desired level. It is, however, important to note that the assessments in respect of the core financial areas were all of an acceptable standard, the number of unsatisfactory conclusions reduced, while in a number of the areas evaluated as marginal it has proved relatively straightforward to put in place measures which mean that a satisfactory assessment would now be appropriate. The one remaining unsatisfactory report was that in respect of gas servicing. While the Audit report did identify some significant improvements in the arrangements for gas servicing it remains the case that not all of the gas servicing inspections met the legal requirement of being undertaken within the specified 12 months period. The Council has taken immediate steps to address this situation following on from the audit which was concluded in April 2013.

While further work is still required and the position in respect of internal control during 2012/13 remained far from satisfactory the Chief Financial Officer is of the view that the Council has made significant progress in addressing its internal control arrangements during 2012/13 and that the overall internal control arrangements remain sufficiently robust for him to place reliance upon them. There is, however, a clear requirement to ensure that the improvement drive is continued during 2013/14 to ensure the Council can have an appropriate level of confidence in its internal control arrangements.

The effectiveness of the Governance framework has been overseen by the Council's Audit Committee which has considered all of the key reports concerning the Council's Governance arrangements. It has requested that updates be brought to all meetings of the Committee regarding the progress in addressing the key areas of weakness that have been identified. The reports of External Audit are considered by full Council.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee that the arrangements whilst in need of further improvement continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

In addition to the issues relating to governance outlined above at a Strategic Level the key issue for the Council is that as a result of the Comprehensive Spending Review of Autumn 2010 the underlying financial pressures on Council have increased significantly. In the local government financial settlement in respect of both 2011/12 and 2012/13 Bolsover District Council was one of the eight English Authorities which suffered the maximum grant

loss. While in recognition of the scale of grant losses the Council is eligible for both Transition and Efficiency grant it has been required to secure savings of £1.758m in respect of 2011/12, £0.975m for 2012/13, £0.884m for 2013/14 and £0.724m for 2014/15. In order to secure the necessary savings the Council will need to continue to reduce staffing numbers and to reorganise processes and procedures both of which have the potential to impact significantly on the Council and the services it provides. The Council is aware of these risks and is seeking to manage them appropriately. Given the scale of the efficiencies that are necessary the internal control environment, levels of performance and service delivery more generally continue to require careful monitoring during the course of the current financial year.

With effect from April 2011 the Council entered into a Strategic Alliance with a neighbouring authority North East Derbyshire District Council. Joint working arrangements have made significant progress and the two Councils now operate with a joint Management team down to third tier level. Joint Working is now operational within most services, although only Environmental Health is operating on the basis of a fully shared service. While one of the key reasons for entering into this partnership is to achieve the efficiency savings that both Councils need to secure arising out of the Comprehensive Spending Review of Autumn 2010, the Strategic Alliance is also seen as a key mechanism for managing the risks to governance arrangements that both Councils will face as a result of the significant reduction in their funding resources.

The areas identified for improvement are currently the subject of a Corporate Action Plan (including target dates), with progress against that Action Plan being reported as a standing item to the Council's Audit Committee. Within this Action Plan the key issues that have been identified are as follows:

1	The Annual Governance Letter from the External Auditors in respect of the 2011/12 Financial Accounts noted improvements in the presentation of the final accounts, although further work remained outstanding to secure accounts of the required standard. While the accounts were unqualified the Council did receive a qualified VFM conclusion. This was indicative of a range of wider failings in the culture of financial and performance management. These wider issues included budgetary control, project management and the measuring / reporting of performance.	The Council has continued to work to improve its financial and performance management. Further improvements in accounting arrangements have been secured and financial management across the Council has been strengthened. Given the extent of the issues that have been identified while significant progress has been secured during 2012/13 further work will be necessary during 2013/14 in order to embed arrangements which are fit for purpose.
2	With respect to the work undertaken by both External and Internal Audit there continues to be a number of areas identified where the Council's internal control arrangements require	Again the Council has continued during 2012/13 to address the issues that have been identified. While the outcome of the work of Internal Audit continues to identify a significant range of internal control issues across the authority, there has been a

	<p>improvement. External Audit work resulted in a critical report concerning the governance of contracts which was focussed on procurement arrangements applicable in both 2010/11 and 2011/12. With respect to the Internal Audit reviews undertaken during 2012/13 out of 22 audits 1 was classified as unsatisfactory and 10 as marginal. This followed on from the position in 2011/12 where 15 were assessed as satisfactory or better, 7 were marginal and 4 unsatisfactory. This indicates that the Council needs to address a wide range of underlying issues in order to secure satisfactory arrangements for financial governance.</p>	<p>steady trend of improvement which if maintained will result in a more favorable assessment from Internal Audit during 2013/14. While the Council has addressed its financial and performance management culture during 2012/13 the improvements have not yet been embedded and it is important that the Council maintains its proactive stance in addressing the issues that have been identified.</p> <p>This pro-active approach to internal control is particularly important given that the ongoing requirement to secure financial savings means that our internal control arrangements remain subject to changes arising from wider organisational restructuring.</p>
3	<p>Whilst the Council's budget is balanced over the period of the Medium Term Financial Plan it should be noted that the budget is balanced on the basis that significant efficiency savings will be secured during the period of that Plan. If these efficiencies are not secured then the Council will be forced to reduce expenditure in a relatively uncontrolled fashion which will impact upon the quality of services to local residents, and potentially on the internal control environment.</p>	<p>In setting its Medium Term Financial Plan the Council agreed a range of measures to deliver the efficiency gains necessary to operate within the underlying level of resources available to the Council. Achievement of these measures is monitored on a regular basis by Executive. While appropriate steps have been taken it needs to be recognized that the efficiency targets are challenging and will require further reductions in staff numbers and budgets.</p>
4	<p>In addition to the Council's financial position being challenged our level of balances on the General Fund and Capital Programme remain at what the Medium Term Financial Plan has indicated is a minimum level.</p>	<p>The Council is taking appropriate action to bring our underlying level of expenditure back into line with the underlying level of resources. This work will need to continue during 2013/14 and over the period of the current Medium Term Financial Plan. Managing within agreed budgets will enable the Council to continue the process of increasing its financial balances so that they are in excess of minimum levels.</p>

We propose over the coming year to take steps to address the above matters to ensure that our governance arrangements are robust. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Eion Watts
Leader of the Council

Wes Lumley
Chief Executive

APPENDIX 3

Draft Statement of Accounts – To Follow.