

## 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 24<sup>th</sup> September 2013 at 1400 hours.

### PRESENT:-

Members: - Councillors S.W. Fritchley and K. Reid.

Cooptee Member: - J. Yates.

Officers: - B. Mason (Director of Corporate Resources), G. Bagnall (Assistant Director Resources), T. Fletcher (Chief Accountant), J. Williams (Interim Head of Internal Audit Consortium) (to Minute Number) and A. Bluff (Governance Officer).

Also in attendance at the meeting was S. Sunderland (Audit Team Lead, KPMG) and P. Hutchings (Manager, KPMG) (to Minute No.421).

J. Yates in the Chair

### 415. APOLOGIES

Apologies for absence were submitted on behalf of Councillor J.A. Clifton, D. McGregor, A.F. Tomlinson, E. Watts and J. Hill (Cooptee Member).

### 416. URGENT ITEMS

The Chair informed the meeting that he had received notification from Joanne Hill of her written resignation from the Committee. This would be discussed as the last item on the agenda.

### 417. DECLARATIONS OF INTEREST

There were no declarations of interest made.

### 418. MINUTES – 26<sup>th</sup> JUNE 2013

Moved by Councillor S. W. Fritchley, seconded by Councillor K. Reid  
**RESOLVED** that the minutes of an Audit Committee meeting held on 26<sup>th</sup> June 2013 be approved as a correct record.

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### 419.           **REPORTS OF THE EXTERNAL AUDITOR (KPMG) REPORTS TO THOSE CHARGED WITH GOVERNANCE**

Members considered a report of the External Auditor (KPMG) regarding the Councils financial statements for the year ended 31<sup>st</sup> March 2013.

The Audit Team Lead, KPMG, congratulated the Authority on continued significant improvements made in respect of the quality of the published accounts over the previous two years.

It was also concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Audit Team Lead, KPMG, stated that issues from last year were in the process of being addressed and that significant progress had been made.

With regard to savings, there were still challenges ahead and some hard decisions would need to be made. It was critical that the Council took action to ensure that it was financially viable going forward.

Members' attention was drawn to the two recommendations in the report;

- Review of draft accounts and
- Contract arrangements

The Audit Team Lead, KPMG, would present a full report to a future meeting of Council.

The Director of Corporate Resources stated that he wished to thank the finance team who had worked hard in improving the accounts and to the Auditors who had undertaken their role in an efficient manner. The Director of Resources also thanked the Audit Committee for its role in supporting the implementation of the improvements that had been required.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley  
**RESOLVED** that the report be received.

### 420.           **REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES BOLSOVER DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2012/13**

Committees' approval was sought for the audited Statement of Accounts in respect of 2012/13 which were attached to the report.

The process for the accounts had been undertaken in accordance with the requirements of the Accounts and Audit Regulations 2011. Members were asked to note that the Council was required to complete and approve the audited Statement of Accounts by the end of September 2013.

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The Director of Corporate Resources further advised the meeting that as there could be some late minor changes required by KPMG, prior to the final sign off of the Statement of Accounts, delegated powers be granted to the Chief Financial Officer, in consultation with the Chair or Vice Chair of the Committee, to agree any final changes. Any such changes would only be made with the agreement of KPMG the Council's external auditors.

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

**RESOLVED** that (1) the audited Statement of Accounts in respect of 2012/13 be approved,

(2) delegated powers be granted to the Chief Financial Officer in consultation with the Chair or Vice Chair of Audit Committee to agree any changes which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council's external auditors KPMG to ensure completion of the Statement of Accounts by 30<sup>th</sup> September 2013.

*The Audit Team Lead, KPMG and the Manager, KPMG left the meeting at this point.*

### 421.           **REPORTS OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT IMPROVEMENT PLAN**

Members considered a report of the Interim Head of Internal Audit in respect of the Internal Audit Improvement Plan.

An internal audit self assessment had been undertaken to review compliance with the Public Sector Internal Audit Standards (PSIAS).

CIPFA had produced a checklist for assessing conformance and this was included in the report at Appendix A. The checklist had three columns indicating compliance with the PSIAS; partial compliance or non compliance. Where it was deemed there was only partial or non compliance, the relevant standard had been extracted and placed into the improvement plan as provided at Appendix B.

Whilst a number of improvements had been identified it was considered that the exercise had demonstrated that overall the Internal Audit Consortium was compliant with the PSIAS.

A short discussion took place.

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

**RESOLVED** that (1) the results of the self assessment and resultant Improvement Plan be noted,

(2) progress against the improvement plan be reported back to Audit Committee as part of the internal audit annual report for 2013/14.

(Interim Head of Internal Audit Consortium)

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### 422. REPORTS OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT CHARTER

Members considered a report of the Interim Head of Internal Audit in respect of the Internal Audit Charter which was attached as Appendix 1 to the report. The Charter replaced the previously adopted Terms of Reference and Policy.

The PSIAS required that the purpose, authority and responsibility of internal audit must be formally defined in an internal audit charter.

The PSIAS also required that the Head of Internal Audit reviewed the Charter periodically but final approval rested with the Audit Committee.

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

**RESOLVED** that (1) the Internal Audit Charter be agreed,

(2) the agreed Internal Audit Charter be reviewed in two years time or earlier in the event of any significant changes being made to the PSIAS.

(Interim Head of Internal Audit)

### 423. REPORTS OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT CONSORTIUM – SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN 2013/14

Members considered a report of the Interim Head of Internal Audit in respect of progress made by the Audit Consortium during the period 8<sup>th</sup> June to 6<sup>th</sup> September 2013 in relation to the 2013/14 Internal Audit Plan. The report included a summary of internal audit reports issued during the period and work in progress.

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

**RESOLVED** that the report be received.

### 424. REPORTS OF THE INTERNAL AUDIT CONSORTIUM AND THE DIRECTOR OF CORPORATE RESOURCES UPDATE ON AUDIT WORK IN RESPECT OF GAS SERVICING AND CONTRACTS

Two previous internal audit reviews, which had resulted in a conclusion of marginal and had given rise to particular concern, were gas servicing and procurement practice. As part of the management response it was requested that follow up audits be undertaken in respect of both areas. This approach was in line with that requested by the Audit Committee.

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### Gas Servicing:

The Head of Housing had re-appraised gas servicing procedures resulting in the introduction and implementation of procedural revisions and updates to ensure that all gas services were completed within the stipulated 12 month period.

An audit review was undertaken in September 2013 to ensure that the revised procedures had been properly implemented and were operating satisfactorily. The conclusion of this audit work was that systems were now fit for purpose. This represented a significant improvement over the unsatisfactory evaluation which was the outcome of the audit concluded in May 2013.

Quarterly reports confirming all gas servicing in that quarter was up to date would be provided to Members. A further audit review would be undertaken prior to the end of the current financial year which would evaluate the longer term performance of the current arrangements. In addition, it would ensure that progress was being made against all of the recommendations within the Audit Report.

### Procurement Practice:

Since the 'marginal' report had been issued regarding procurement arrangements, further internal audit work had been carried out in order to evaluate progress made. This had now been completed and the current report concluded that whilst significant progress had been made, the Council's procurement process or contract management arrangements remained classified at a 'marginal' level.

Further work was clearly now necessary and management had agreed a programme of action to address the issues arising from the internal audit work. It was proposed that progress against the agreed tasks would be monitored through the Key Issues of Financial Governance report and a further internal audit review had been agreed for the end of the 2013/14 financial year.

The Director of Corporate Resources advised the meeting that directors would be requested to attend the December Audit Committee meeting if any further marginal reports were given.

The key actions proposed by Management were summarised in the report for Members information.

A short discussion took place.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley  
**RESOLVED** that the report be received.

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### 425. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES KEY ISSUES OF FINANCIAL GOVERNANCE

The Key Issues of Financial Governance report was intended to track progress in the implementation of previous recommendations from both external and internal audit in relation to the Council's financial governance arrangements and to inform Committee of progress in addressing those recommendations.

Within the body of the report officers had set out four issues which had been agreed by previous meetings to this Audit Committee to constitute Strategic Issues of Financial Government. In addition to the Strategic Issues, the key messages which appear to emerge from the External Auditor's report were also outlined in the report.

Two appendices attached to the report contained the actions required to address the weaknesses identified in the Annual Governance Letter of September 2012, the Annual Audit Letter of October 2012, and the Interim Governance Report of June 2012. In the view of the Director of Corporate Resources, the issues identified within these reports in respect of the Council's accountancy and financial management arrangements had effectively now been addressed. The key area in which further improvement was now necessary was in the area of internal control where in the previous financial year (2012/13) some 10 out of 33 internal audit reports were considered to be marginal, with one classified as unsatisfactory. Improvement in this area was clearly necessary and would be a priority during the 2013/14 financial year. Accordingly it was important that the Key Issues of Financial Governance Report reflected this fact in order to enable it and the Audit Committee to focus on current risks and weaknesses. It was therefore proposed that Appendices 1 and 2 did not appear on future versions of this report.

A short discussion took place.

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

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

(2) Appendix 1 and 2 are removed from future versions of the report with outstanding issues being picked up in the main body of the report.

(Director of Corporate Resources)

### 426. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES MEDIUM TERM FINANCIAL PLAN

Members considered a report of the Assistant Director of Resources in respect of the Council's current position of the Financial Outturn 2012/2013, the Council's Medium Term Financial Plan and Budget Monitoring for the period April to June 2013.

All three reports had been previously presented to the Executive.

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The Assistant Director of Corporate Resources took Members through the reports in detail.

Appendices attached to the report provided financial breakdown of the General Fund, the Housing Revenue Account, Capital Programme Summary, Reserves and Balances and Treasury Management Activity.

The Assistant Director of Corporate Resources advised the meeting that the improvement in the Council's financial position was achieved by a combination of factors but principally by all budget managers exercising tighter management control over their budgets.

A discussion took place regarding housing development and the HRA and also the shortage of smaller accommodation.

Councillor Fritchley stated that he would like financial officers to look at Housing finance and to work with Housing Officers to provide further information to the next meeting of the Committee.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley  
**RESOLVED** that (1) the report be received.

### **427. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES 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 organisation.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley  
**RESOLVED** that the report be received.

### **428. JOANNE HILL – RESIGNATION FROM AUDIT COMMITTEE**

The Chair read out a letter received from Joanne Hill tendering her resignation from Audit Committee.

A short discussion took place.

It was agreed that the Director of Corporate Resources would speak to the Monitoring Officer to discuss a replacement Independent Member to the Committee and report to the next meeting.

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

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**RESOLVED** that the Director of Corporate Resources speak to the Monitoring Officer to discuss a replacement Independent Member to the Committee and report to the next meeting.

(Director of Corporate Resources)

*The meeting concluded at 1525 hours.*