

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 10th December 2013 at 1400 hours.

PRESENT:-

Members: - Councillors S.W. Fritchley and A.F. Tomlinson.

Cooptee Member: - J. Yates.

Officers: - B. Mason (Director of Corporate Resources), J. Williams (Interim Head of Internal Audit Consortium) and A. Bluff (Governance Officer).

J. Yates in the Chair

0655. APOLOGIES

Apologies for absence were submitted on behalf of Councillor J.A. Clifton, D. McGregor, and E. Watts, S. Sunderland (Audit Team Lead, KPMG) and P. Hutchings (Manager, KPMG).

0656. URGENT ITEMS

There were no urgent items of business to consider.

0657. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0658. MINUTES – 24th SEPTEMBER 2013

Moved by Councillor S. W. Fritchley, seconded by Councillor A.F. Tomlinson

RESOLVED that the minutes of an Audit Committee meeting held on 24th September 2013 be approved as a correct record.

0659. REPORTS OF THE INTERNAL AUDIT CONSORTIUM SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN 2013/14

Members considered a report of the Interim Head of Internal Audit Consortium in respect of progress on the Internal Audit Plan 2013/14 during the period 7th September 2013 to 22nd November 2013. The report included a summary of internal audit reports issued during the period and work in progress.

AUDIT COMMITTEE

Two revisions to the original audit plan were deemed necessary. The first was in respect of the ten days identified for the capital accounting audit. The audit work undertaken in this area was for the Audit Commission and mainly entailed the verification of the existence of the Council's assets. This work was no longer required by KPMG and therefore it was proposed to remove capital accounting from the audit plan. The second proposed revision was in relation to the seven day inventories audit. Rather than complete inventories as a separate audit, inventory checks had been incorporated in to the test schedules of individual audits.

These two revisions to the plan should enable the rest of the plan to be completed in full provided there is no substantial additional work in relation to the remaining planned audit areas or special investigations arising. Progress against the plan would be kept under review to ensure that any slippage could be promptly identified and appropriate action taken.

It was reported that Internal Audit were now attending the quarterly Directorate meetings and that from January 2014 the progress made in the implementation of audit recommendations would be tracked through PERFORM.

A summary of reports issued covering the period 7th September 2013 to 22nd November 2013 for audits included in the 2013/14 BDC Internal Audit Plan was attached to the report.

It was noted that no response had been received from Housing in relation to the reports issued by Internal Audit with regard to B010; Right to Buy Sales and B012; Stores. Responses were due by 15th October 2013 and 7th November 2013 respectively.

A short discussion took place.

It was agreed that the Head of Housing be requested to attend the next Audit Committee meeting to explain why no response had been made to Internal Audit.

Moved by Councillor A. F. Tomlinson, seconded by Councillor S. W. Fritchley
RESOLVED that the Head of Housing be requested to attend the next Audit Committee meeting to explain why no response had been made to Internal Audit.

(Director of Corporate Resources)

0660. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES KEY ISSUES OF FINANCIAL GOVERNANCE

Members considered a report of the Director of Corporate Resources in respect of Key Issues of Financial Governance.

Members were advised that KPMG's recently issued Annual Audit Letter for 2012/13 had been discussed at Council on 25th November. This was a key document for Audit Committee to consider and a copy was attached to the report as Appendix 2.

AUDIT COMMITTEE

The Council had received an unqualified value for money conclusion for 2012/13 on 25th September 2013. This meant that the Auditors felt that the Council had proper arrangements for securing financial resilience and challenging how it secured economy, efficiency and effectiveness. This conclusion was arrived at by looking at the Council's financial governance, financial planning and financial control processes as well as how it prioritised resources and improved efficiency in productivity.

The Authority had addressed a number of significant weaknesses that led to a qualified value for money conclusion in the previous year, although further work was needed to address contract management weaknesses.

The Key Issues of Financial Governance report was intended to track progress in the implementation of previous recommendations from both external and internal audit and to inform Audit Committee of progress in addressing those recommendations.

Appendix 1 to the report set out four issues which had been previously agreed at Audit Committee meetings to constitute the main Strategic Issues of Financial Government. These strategic issues were consistent with the conclusions of the External Auditor's (KPMG) report on the outcome of the 2012/13 Audit. The key messages which appear to emerge from the External Auditor's report were also outlined in the Director of Corporate Resources report.

Though there was a clear trend of improvement, it was important that the Council continued with measures that consolidated this improvement to ensure it was sustainable and to address any outstanding issues. In the view of the Director of Corporate Resources the issues 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, and would be a priority during the 2013/14 financial year, 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.

A range of measures were in place, or planned, which were designed to address the issues of financial governance faced by the Council. A summary of these was included in the report.

Members asked questions and a lengthy discussion took place.

Future Key Issues of Financial Governance reports would update Committee in respect of progress against the actions.

Moved by Councillor S.W. Fritchley, seconded by Councillor A.F. Tomlinson
RESOLVED that the report be received.

AUDIT COMMITTEE

0661. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES QUARTER 2 FINANCIAL MONITORING 2013/14

Members considered a report of the Director of Corporate Resources in relation to the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue, Capital Programme and Treasury Management activity. The report had been presented to Executive on 9th December 2013.

In respect of the General Fund Revenue Account, the Council needed to achieve savings of £0.884m. In respect of 2013/14, and to date, good progress was being achieved in securing this target.

It was noted that there was significant under spend on the Capital Programme. The Director of Corporate Resources advised Committee that asset surveys were taking place in respect of both the General Fund and the Housing Revenue Account assets and these surveys would inform future capital investment decisions. In respect of the stock condition survey currently being carried out it was noted that this survey was crucial as it would define where the Council needed to spend money on its housing stock in the future.

A short discussion took place regarding the speed in which repairs to Council properties were carried out, issues with void properties and timescales in reletting of void properties and also hard to let properties, i.e., 1 bedroom bungalows.

Moved by Councillor A.F. Tomlinson, seconded by Councillor S.W. Fritchley
RESOLVED that the report be noted.

0662. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES REVISED GENERAL FUND, HOUSING REVENUE ACCOUNT AND CAPITAL PROGRAMME BUDGET FOR 2013/14

Members considered a report of the Director of Corporate Resources in relation to the outcome of the revised budget process undertaken during October and November 2013 and also the revised position of the Capital Programme based on Council approvals during the course of the financial year and following the re-profiling of some approved schemes. The report had been presented to Executive on 9th December 2013.

Whilst some further amendments would arise as a result of budget discussions with officers and Members it was envisaged that the revised budget set out within the report would form the basis of the Council's 2014/15 Medium Term Financial Plan. At the same time officers had prepared revised budgets for the Housing Revenue Account (HRA) and the Capital Programme. The scope of the report was therefore limited to the revised budget position on the General Fund, HRA and the Capital Programme.

The Medium Term Financial Plan, including the 2014/15, budget would be reported for approval in February 2014.

AUDIT COMMITTEE

2014/15 to 2016/17 - Roll forward budget – indicative figures

In addition to developing the revised budget in respect of 2013/14, officers had also undertaken the work necessary to prepare a roll forward budget in respect of 2014/15 and future years. The figures were still being refined by the finance team but a provisional position was as follows;

	2014/15 £000	2015/16 £000	2016/17 £000
Preliminary calculation of In year budget shortfall	752	997	814
Cumulative Shortfall position	752	1,749	2,563

Further reports would be brought back to Members as appropriate and would incorporate recommendations concerning measures for consideration as means of addressing the budget position.

In summary;

General Fund - the revised budget detailed in Appendix 1 was estimated to show a surplus in the year of £0.275m and if the remaining target savings are achieved this may increase the surplus to £0.395m.

Housing Revenue Account (HRA) - the revised budget for the HRA would accommodate a number of budget changes but was still anticipated to show a surplus in the financial year of £0.086m.

Capital Programme - the revised capital programme reflected the projects and schemes approved by the Council during the course of the financial year. Certain schemes had also been re-profiled by budget managers to reflect the anticipated spend for 2013/14.

A short discussion took place.

Moved by Councillor S.W. Fritchley, seconded by Councillor A.F. Tomlinson
RESOLVED that the report be noted.

0663. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES STRATEGIC RISK REGISTER

Members considered a report of the Director of Corporate Resources in relation to the Strategic Risk Register. The report had been presented to Executive on 9th December 2013.

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.

AUDIT COMMITTEE

The Strategic Risk Register had recently been considered as part of a Member Development Day and had been discussed at length.

The revised Strategic Risk Register as at 30th September 2013 was set out in Appendix 1 to the report.

A key element emerging from the Strategic Risk Register was one of an ongoing requirement to maintain current performance in respect of service delivery, performance and governance to local residents. However, the current position needed to be maintained at a time when it would be increasingly necessary to manage the Council's finances in a more pro active way in order to ensure that expenditure remained in line with the level of resources at a time of declining financial support from central Government.

Two themes had been identified as having a potential impact upon the Council's risk profile; (1) The Council had taken the approach of seeking to maximise the level of savings that are secured through a Transformational agenda. This required the introduction of new technology, together with projects such as the Senior Management review. Transformational work was time consuming and given that the level of managerial resource had already been significantly reduced the ability to deliver against agreed projects would clearly be a challenging one. (2) Potential impact of Welfare Reform upon the Council's financial and operational capacity; A clear risk had been identified that expenditure would exceed the current budgets or that increases in workload would require a corresponding increase in administrative capacity. A further risk was that income in respect of Housing Rents and Council Tax may become more difficult to collect. Officers would continue to actively monitor the position and would provide further reports to Members as appropriate.

At its meeting on 30th October 2013, the Risk Management Group identified a growing concern around the issue of data protection and the Strategic Risk Register had now been amended in order to reflect that concern.

A review and refresh of the Council's Risk Strategy remained outstanding and it was planned that this piece of work would be completed by the time of the next quarterly report to Executive concerning the Strategic Risk Register.

A short discussion took place.

Moved by Councillor A.F. Tomlinson, seconded by Councillor S.W. Fritchley
RESOLVED that the report be noted.

The Chair wished everyone a happy Christmas and New Year.

The meeting concluded at 1500 hours.