

## **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 4<sup>th</sup> February 2014 at 1000 hours.

### **PRESENT:-**

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

Cooptee Member: - J. Yates.

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

J. Yates in the Chair

### **0798. APOLOGIES**

Apologies for absence were received from P. Campbell, Head of Housing and S. Sunderland, KPMG.

### **0799. URGENT ITEMS OF BUSINESS**

The Chair advised the meeting of two urgent items of business to be considered which were in relation to the vacant post of the Head of Internal Audit Consortium and the requirement to arrange an Extraordinary meeting of Audit Committee in April to approve the Audit Plan. These would be discussed at the end of the agenda.

### **0800. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **0801. MINUTES – 10<sup>th</sup> DECEMBER 2013**

Moved by Councillor A.F. Tomlinson, seconded by Councillor K. Reid,  
**RESOLVED** that the minutes of an Audit Committee meeting held on 10<sup>th</sup> December 2013 be approved as a correct record.

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### **0802. REPORT OF THE EXTERNAL AUDITOR CERTIFICATION OF GRANTS AND RETURNS 2012/13**

The Executive Director of Operations presented a report of the External Auditor which summarised the results of work carried out by KPMG on the certification of the Council's 2012/13 grant claims and returns.

Three returns for 2012/13 were certified with a total value of £50m. There were no unresolved issues requiring qualification of any of the three returns certified, thus unqualified certificates for all three returns were issued. This was a good result and compared well with the previous year.

One significant adjustment was necessary this year – an agreed adjustment of £65,057 was made to the National Non Domestic Rates return.

In their report, the External Auditors stated that the Council had good arrangements for preparing its grants and returns and supporting their certification work. No recommendations had been made.

The Executive Director of Operations stated that this was an excellent report and thanked all staff concerned. The Leader added that Audit Committee shared these views and would wish to pass on its views to the staff concerned. The Chair further added that this reflected on the quality of staff the Council employed.

Moved by Councillor E. Watts, seconded by Councillor D. McGregor  
**RESOLVED** that the report be received.

### **0803. REPORT OF THE INTERNAL AUDIT CONSORTIUM AUDIT COMMISSION NATIONAL REPORT – PROTECTING THE PUBLIC PURSE 2013 – FIGHTING FRAUD AGAINST LOCAL GOVERNMENT**

The Interim Head of the Internal Audit Consortium presented a report to inform Members of the findings and recommendations from a recent Audit Commission national report titled 'Protecting the Public Purse 2013 – Fighting Fraud against Local Government'. A link to the full report was included on the agenda.

The Audit Commission report included a checklist covering the issues and recommendations in their report so that 'Councillors and others responsible for governance' could review the current level of compliance. This checklist was attached to the report as appendix A and had initially been completed by the Interim Head of the Internal Audit Consortium in conjunction with other relevant officers. When completing the checklist and identifying potential areas for further action, responses had been kept proportionate to the perceived risk within Bolsover District Council and to the resources available. The checklist showed compliance with most of the areas but there were two areas where further work was required and these were included in the action plan at appendix B being;

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- We should maximise the benefit of our participation in the Audit Commission National Fraud Initiative (NFI) by reporting the outcomes regularly to the Audit Committee. (To be implemented by the Joint Assistant Director – Finance and Revenues and Benefits by April 2014).
- Procurement controls/processes/training etc should be further developed. (To be implemented by the Joint Executive Director – Operations by April 2014).

A short discussion took place regarding 'whistle blowing' and a Member raised a concern that staff were not always advised of the outcome of their whistle blowing.

The Executive Director of Operations replied that staff should always be informed of any outcome of their whistle blowing as per the Council's procedure, although it was acknowledged that it would not always be possible to disclose full details. The Executive Director of Operations assured Committee that he would look into this and report back to Members.

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

### **0804. REPORT OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT CONSORTIUM – PROVISION OF MANAGEMENT SERVICES TO DERBYSHIRE DALES DISTRICT COUNCIL**

The Interim Head of the Internal Audit Consortium presented a report to update Members in respect of the provision of a management service to Derbyshire Dales District Council since the retirement of their Head of Internal Audit.

Although DDDC had retained a very experienced Auditor, she did not hold the professional qualification required by the Public Sector Internal Audit Standards (PSIAS), which would make DDDC non compliant with these required standards.

A management service could be provided to DDDC for 30 days per year and would include producing the audit plan, the annual report, progress reports for their Audit Committee and would also entail reviewing their internal audit sections work and monitoring delivery of the plan to ensure that the quality aspect of the PSIAS was achieved. This work would be undertaken by the Interim Head of Internal Audit who has the required qualification and experience in order to be able to provide DDDC with an appropriate management service.

The Head of Finance at DDDC had obtained approval from their Audit Committee to enter in to this arrangement starting from the beginning of January 2014.

The provision of management services would generate an income for the Internal Audit Consortium that would be distributed to the Council's in the Consortium.

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

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### **0805. REPORT OF THE INTERNAL AUDIT CONSORTIUM SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN 2013/14**

The Interim Head of the Internal Audit Consortium presented a report to update Members in respect of the progress made by the Audit Consortium in relation to the 2013/14 Internal Audit Plan during the period 23rd November 2013 to 17<sup>th</sup> January 2014. The report included a summary of internal audit reports issued during the period and work in progress.

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

Three reports had been satisfactory, two good and 1 marginal. The marginal report was in relation to Housing Rents where 5 recommendations had been made all of which had been accepted by Management.

With regard to the Marginal report in relation to Housing Rents, the Executive Director of Operations noted that the Housing section had been restructured and resources had gone into those areas identified by Audit as areas requiring further work. The Executive Director also commented that at this stage there did appear to be a reduction in the number of areas assessed as being marginal which was a positive trend.

Moved by Councillor E. Watts, seconded by Councillor D. McGregor  
**RESOLVED** that the report be received.

### **0806. REPORT OF THE DIRECTOR OF CORPORATE RESOURCES (NOW THE EXECUTIVE DIRECTOR OF OPERATIONS) MEDIUM TERM FINANCIAL PLAN 2014/15 TO 2016/17**

The Council agrees its annual budgets within the context of a Medium Term Financial Plan (MTFP) which includes financial projections in respect of the next three financial years.

The Executive Director of Operations presented a detailed report to the meeting in respect of budgets and financial plans with regard to the General Fund Revenue Account, the Housing Revenue Account (HRA) and the Capital Programme. It was noted that the report had been presented to Executive on 3<sup>rd</sup> February 2014.

The Accountancy Section had co-ordinated the preparation of the budget and had ensured that all estimates were reasonable and had been developed in a consistent fashion. While the agreed budgets were challenging and would need to be reviewed in the light of changing circumstances and priorities over the three year period of the Medium Term Financial Plan, the Chief Financial Officer (Executive Director of Operations) was satisfied that they constituted a firm foundation on which to base the Council's financial management.

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### General Fund

The Council was currently anticipating that an in year surplus would be achieved which would mean no call on general fund balances in respect of 2013/14. The forecast surplus would be dependent upon the use of the £1.064m Efficiency Grant provided by Central Government in order to fund the costs of rationalisation, restructuring and Invest to Save measures. In order to deliver a surplus the Council had secured the majority of the planned £0.884m of financial savings during 2013/14 and identified other savings/increased income during the revised budget process which generates the forecast surplus position. This was a significant achievement for the Council and put the Council in a sound financial position with which to address the 2014/15 budget.

#### Original Budget 2014/15:

The total savings required for 2014/15 were £0.447m. There were a range of savings proposals totalling £0.430m which would mean that the unidentified savings target for 2014/15 was £0.017m. While the Council had continued to drive its savings agenda it would still be necessary to achieve the financial savings targets of £0.430m during the 2014/15 financial year together with the £0.017m which remained to be identified. While this total target of £0.447m was relatively low against previous targets (£1.259m 2011/12, £0.975m 2012/13 £0.884m 2013/14) it needed to be recognised that the easier options for achieving savings had already been taken. With respect to the 2014/15 position a number of measures had already been implemented which had reduced the impact of the formula grant reduction of £0.862m to a budget shortfall of £0.447m.

#### Budgets 2015/16 and 2016/17:

On the basis that the full £0.447m was achieved in respect of 2014/15 there would be a further £0.973m to be achieved in respect of 2015/16 and an estimated figure of £0.800m for 2016/17. Given the Government's spending plans it was expected that further reductions would be required in future financial years and it was therefore important that the Council maintained its momentum in achieving ongoing financial savings. While clearly these ongoing expenditure reductions would continue to have an impact on services it should be noted that the Council's current approach if continued would enable changes to budgets and service plans to be appropriately considered, planned and managed. This gradual ongoing planned approach was considered to be the most appropriate method for minimising the impact upon local residents.

### Housing Revenue Account (HRA)

The overall position for the HRA in 2013/14 is that there was a forecast surplus of £0.086m in the current year which if realised would increase the HRA balances to £1.861m.

#### Original Budget 2014/15:

The key issue for 2014/15 is that the average rent increase required to comply with Government rent convergence requirements is one of 6.24% which results in the average rent for a Council house increasing to £83.61 per week (on a 48 week basis). A

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recent Government consultation paper had suggested that rent convergence policy may be ended after the 2014/15 financial year.

The Government's reform of the operation of all local authority Housing Revenue Accounts had now been in place since April 2012. This reform placed considerable greater emphasis upon local management of the HRA based upon a framework established by the HRA Business Plan. While HRA reform had given local authorities significant financial freedoms, including the ability to undertake additional borrowing, it needed to be recognised that these financial freedoms need to be exercised within the context of the requirement to maintain the Council's properties at a decent standard. The outcome of the full stock condition survey was not yet known so the proposed budgets may need to be revisited again as the full implications of the survey were understood. One development within the 2014/15 HRA budget was the requirement to increase the debt repayment sum in line with the long term business plan to repay the settlement debt over a 30 year period. The principal repayment figure would increase by £1.5m to £3.5m for 2014/15.

### Budgets 2015/16 and 2016/17:

The Governments new proposals for rent increases were not yet finalised but had been included within the budget forecasts from 2015/16. The full debt repayment level was also incorporated over the 30 year business plan. The position showed that the HRA remained in a stable position over the period of the MTFP. It also demonstrated that the plans and financial projections set out within the HRA Business Plan, which underpinned the MTFP in respect of the HRA, secure financial sustainability and enabled the provision of a high quality housing service to tenants to remain the key focus.

A discussion took place regarding recent changes made by the Government to the Right to Buy scheme and that it was now easier for tenants to buy their Council property. Concerns were raised that a reduction in the number of houses inevitably had a negative impact upon the financial viability of the HRA.

While the proposals to increase Council rents was discussed at length it was noted that the cost of Council housing remained below that of private sector rents, while Council house tenure had a number of significant advantages.

With regard to the capital receipt in respect of the Sherwood Lodge site, Members were advised that a Section 278 highways agreement was still outstanding and that it may be March before the capital receipt was received by the Council. Much of the receipt had already been utilised on the purchase and refurbishment of the Arc leaving just over £2m to spend on the Capital Programme.

Moved by Councillor E. Watts, seconded by Councillor D. McGregor  
**RESOLVED** that the report be received.

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### 0807. REPORT OF THE DIRECTOR OF CORPORATE RESOURCES (NOW THE EXECUTIVE DIRECTOR OF OPERATIONS) KEY ISSUES OF FINANCIAL GOVERNANCE

Members considered a report of the Executive Director of Operations in respect of 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 and to inform Audit Committee of progress in addressing those recommendations.

Appendix 1 to the report set out four issues which had been agreed by previous meetings of Audit Committee to constitute the main Strategic Issues of Financial Government. These – together with an update - were :

- The Council had made good progress in balancing its budget and needed to maintain this to achieve the ongoing financial savings targets identified in the Medium Term Financial Plan.
- The Council had made significant improvement in its quality of which needed to be maintained. This was a key strategic issue for Audit Committee to monitor .
- The Council needed to maintain steps to improve Internal Control arrangements. In the previous financial year too many areas had been identified as marginal in Internal Audit reports. Reports to date in the current financial year suggest that improvements are being secured.
- Finally, it was necessary to ensure that appropriate procurement and contractual arrangements are in place. Again the position would appear to be being gradually improved although it has been complicated by the fact that local authorities are finding it increasingly difficult to retain qualified procurement staff. Talks with Chesterfield Royal Hospital and Derbyshire County Council were taking place in relation to shared services regarding procurement.

KPMG had also commented on the fact that the retirement of the Consortium's Head of Internal Audit was currently being addressed under 'Acting Up' arrangements rather than by a permanent solution. The advice of External Audit was that a longer term solution was necessary to ensure that internal audit had adequate capacity. This was a recommendation that needed to be considered by the Committee.

Members asked questions and discussion took place regarding the Growth Agenda, the Transformation Agenda and the New Homes bonus.

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

*The Interim Head of Internal Audit Services left the meeting.*

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### 0799. Cont'd URGENT ITEMS OF BUSINESS

- **Head of Internal Audit Consortium**

The previous Head of the Internal Audit Consortium had retired approximately a year ago and no further progress being made for a permanent arrangement for replacing him.

The Executive Director of Operations advised Members that as Chesterfield Borough Council was the host Council for the Consortium, it was their role to resolve staffing issues. The Executive Director of Operations suggested that he write to Chesterfield Borough Council requesting a permanent solution be looked at for the replacement of the previous Head of the Internal Audit Consortium.

A short discussion took place.

Moved by J. Yates, seconded by Councillor J.A. Clifton

**RESOLVED** that the Executive Director of Operations write to Chesterfield Borough Council requesting a permanent solution be looked at for the replacement of the previous Head of the Internal Audit Consortium.

- **Extraordinary Meeting of Audit Committee – 2<sup>nd</sup> April 2014**

The Chair advised that an extraordinary meeting of Audit Committee would need to be arranged due to the requirement of approving the 2014/15 Audit Plan. It was suggested that this could be held after Council on 2<sup>nd</sup> April 2014.

Moved by Councillor E. Watts, seconded by Councillor K. Reid

**RESOLVED** that an extraordinary meeting of Audit Committee be arranged to be held after Council on 2<sup>nd</sup> April 2014 for the requirement of approving the 2014/15 Audit Plan.

(Executive Director of Operations/Governance Manager)

The meeting concluded at 1455 hours.