



13th June 2014

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 3 on Monday 23rd June 2014 at 1000 hours at The Arc, Clowne.

Register of Members' Interests - 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

Monday 23rd June 2014 at 1000 hours in Chamber Suite 3, 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 20th May 2014.	3 to 6
5.	Report of the Internal Audit Consortium; Internal Audit Consortium 2013/14 Annual Report to Bolsover District Council.	4 to 16
6.	Report of the Internal Audit Consortium; Summary of Progress on the 2013/14 and 2014/15 Internal Audit Plan.	17 to 23
7.	Report of the Executive Director – Operations Annual Review of the Effectiveness of Internal Audit	24 to 29
8.	Draft Statement of Accounts including Annual Governance Statement 2013/14	To Follow

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Meeting Room 4, The Arc, Clowne, on Tuesday 20th May 2014 at 1400 hours.

PRESENT:-

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

Cooptee Member: - J. Yates.

Officers: - B. Mason (Executive Director – Operations) and A. Bluff (Governance Officer).

J. Yates in the Chair

1090. APOLOGY

An apology for absence was received from Councillor E. Watts.

1091. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

1092. DECLARATIONS OF INTEREST

There were no declarations of interest made.

1093. MINUTES OF A MEETING HELD ON 4TH FEBRUARY 2014

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

RESOLVED that the minutes of an Audit Committee meeting held on 4th February 2014 be approved as a true record.

AUDIT COMMITTEE

1094. REPORT OF THE DIRECTOR OF CORPORATE RESOURCES (NOW EXECUTIVE DIRECTOR – OPERATIONS) ANNUAL GOVERNANCE STATEMENT 2013/14

Members considered a report of the Executive Director – Operations in relation to the conclusions and content of the draft Annual Governance Statement which would be incorporated within the Council's Statement of Accounts for 2013/14.

The draft Annual Governance Statement would also be presented to the Strategic Alliance Management Team and Members were asked to note that the final version of the Statement would be presented to Audit Committee on 23rd June 2014 when Committee would be required to formally approve the Statement as part of the Statement of Accounts.

To assist Committee in making a decision regarding the appropriateness of the draft Annual Governance Statement, a number of factors needed to be taken into account and these were set out in detail in the report.

In particular, Committee's attention was drawn to the conclusion reached by Officers concerning the review of the 'Effectiveness of the Council's Internal Control Arrangements';

"On the basis of the review of the effectiveness of the Governance Framework that has been undertaken by officers and scrutinised by the Audit Committee, it has been concluded that the arrangements have improved significantly over the last two years and can be regarded as fit for purpose being in accordance with both the Council's own governance framework and with the principles as set out within the CIPFA/SOLACE framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in this section of the Governance Statement. While significant improvement has been secured over the last two financial years the Council is aware of the importance of sustaining this improvement."

If Audit Committee agreed with this conclusion, this would represent a significant improvement over the position at the end of the 2011/12 financial year and in the Council's financial governance arrangements.

In the view of the Chief Financial Officer, Audit Committee had played a key role in securing this improvement by helping ensure that necessary changes had been actioned.

Audit Committee also needed to consider and review the Local Code of Corporate Governance, which was set out in Appendix 2 to the report. On the basis of the limited changes that had been made from the previous version it was suggested that Committee consider and approve the Code and a recommendation be made that the Member Development Working Group Programme incorporate a training/awareness session concerning Good Governance.

Members asked questions and a short discussion took place.

AUDIT COMMITTEE

The Executive Director – Operations further advised the meeting that internal audit were still undertaking some verification work in relation to gas servicing and contractual arrangements. Gas servicing was now being reported on a quarterly basis as part of the Council's Performance Management Framework with the data showing that 100% of services are now being carried out on an annual basis..

The Executive Director commented that the improvements in internal control arrangements were attributal to the hard work of staff and to the engagement of the Directors and senior management which had been promoted by the Audit Committee. The Chair stated that he wished it to be noted that the significant improvements made as detailed in the report was also a reflection on the Executive Director – Operations management of the position.

Moved by Councillor K. Reid, seconded by Councillor D. McGregor
RESOLVED that

- (1) the Committee having reviewed the Council's governance arrangements consider they are fit for purpose,
- (2) the recommended amended Code of Corporate Governance as set out in Appendix 2 be approved,
- (3) a training session be incorporated into the Member Development Working Group Programme setting out the principles associated with good governance.

(Executive Director – Operations/Governance Manager)

1095. REPORT OF THE EXECUTIVE DIRECTOR – OPERATIONS KEY ISSUES OF FINANCIAL GOVERNANCE

Members considered a report of the Executive Director - Operations in respect of Key Issues of Financial Governance.

The report provided information to allow Committee to consider the progress that had been secured in improving the Council's financial governance arrangements.

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 where;

1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan,
2. To secure further improvements in financial reporting with respect to the Council's published accounts and in the Council's financial management arrangements,
3. To improve the Council's Internal Control arrangements, and to strengthen the culture of effective management and budgetary control across the authority,
4. To ensure that issues around the Council's contractual arrangements are resolved and that good quality arrangements remain in place.

AUDIT COMMITTEE

While the evidence provided within the report indicated that the Council's financial governance arrangements were continuing to improve, some key internal audit reports were awaited while the conclusion of External Audit on the Statement of Accounts 2013/14, would not be provided until September 2014.

Discussion took place and Members raised questions in relation to the following items;

- the shortfall (savings target) of £447k in the current financial year,
- the Growth Strategy
- NNDR,
- the Firmstep software and the upgraded financial Ledger,
- improvements necessary at Pleasley Vale Mills,
- Revenue Support Grant,
- the Local Plan
- rateable values

The Executive Director – Operations confirmed that it was anticipated that Morrison's would complete the final sign off for the Sherwood Lodge site in June and Councillor Tomlinson confirmed that the Authority had now received the Landsbanki money.

A further discussion took place in relation to income generation and the need to look at the management of section 106 agreements.

Moved by Councillor K. Reid, seconded by Councillor D. McGregor

RESOLVED that (1) the report be received.

The meeting concluded at 1430 hours.

Bolsover District Council

Audit Committee

23rd June 2014

Internal Audit Consortium 2013/14 Annual Report to Bolsover District Council

Report of the Interim Head of Internal Audit

This report is public

Purpose of the Report

The purpose of this report is to:

- Present a summary of the internal work undertaken during 2013/14 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 Public Sector Internal Audit Standards
- Review progress against the internal audit improvement plan
- Comment on the results of the quality assurance programme
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter

1 Report Details

- 1.1 Appendix 1 details the audit reports issued in respect of audits included in the 2013/14 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 2013/14	Percentage 2012/13
Good	17	51.5	33.3
Satisfactory	12	36.4	33.3
Fit for Purpose	1	3.0	0
Marginal	3	9.1	30.3
Unsatisfactory	0	0	3.1
Unsound	0	0	0.0
	33	100	100.0

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

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

Description	2013/14		2014/15
	Plan	Actual	Plan
Cost per Audit Day	£233	£203	£269
Percentage Plan Completed	96%	95%	96%
Sickness Absence (Days per Employee)	8.5 (Corporate Target)	4.0	8.5 (Corporate Target)
Customer Satisfaction Score (see para 11 below)	80%	88%	80%

- 1.4 It should be noted that the cost per audit day for 2014/15 is calculated on the basis that a Head and Deputy Head of the Internal Audit Consortium have been budgeted for. In fact, the consortium is currently operating with just an Interim Head which should lead to a reduction in the cost per audit day.

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

- 1.5 In respect of the main financial systems, Appendix 1 shows that internal controls were in the main found to be operating satisfactorily or well, giving an overall confidence in the internal control system operating in relation to these systems.
- 1.6 Overall, 87.9% of the areas audited received a good or satisfactory opinion demonstrating that there are effective systems of governance, risk management and control in place. There were no areas that were judged to be unsatisfactory or unsound. The control environment has improved from the 2012/13 financial year.
- 1.7 There were 3 marginal reports issued during the year where only limited assurance on the reliability of internal controls can be given.

Management have agreed the recommendations made and are actively working to implement them.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

- 1.8 The internal control issues arising from audits completed in the year have been reported to the Director of Operations for consideration during the preparation of the Annual Governance Statement. There have been no unsatisfactory or unsound reports issued in 2013/14 and no specific control issues identified for inclusion within the Annual Governance Statement.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 1.9 The Internal Audit Plan for 2013/14 was approved by the Audit Committee on the 12th March 2013.
- 1.10 Two audits in the original plan have not been completed. In December 2013 it was agreed by the Audit Committee to remove capital accounting from the audit plan as this work largely duplicated that undertaken by KPMG. KPMG also no longer required internal audit to verify the existence of a sample of the council's assets. The second audit not completed is the review of anti social behaviour/community safety audit, this was a low priority audit and has been deferred.
- 1.11 In addition to this, one audit is still being completed at the time of writing this report. The Environmental Health miscellaneous income audit is still in progress and the results will be reported at the next committee meeting.
- 1.12 A comparison of planned audits with audits completed is shown as Appendix 2. Overall 95% of planned audits were completed during the year.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

- 1.13 During 2013/14 a self assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The results of the review were reported to the Audit Committee in September 2013.
- 1.14 This review confirmed that there were no significant areas of non compliance but an improvement plan was developed to address the minor issues arising. Progress against the improvement plan can be seen at Appendix 3.
- 1.15 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Director of Operations but has a direct and unrestricted access to senior management and the Audit Committee.
- 1.16 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 may 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 client officer seeking his views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.
- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards and issued to all staff.

- 1.17 The above quality control procedures have ensured conformance with the PSIAS.
- 1.18 Based on the customer satisfaction survey forms returned, the average score was 88% for customer satisfaction during 2013/14 (2012/13 result 88%).
- 1.19 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 2012/13 score was 94%.

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

- 1.20 The Audit Charter was reported to and approved by the Audit Committee on 24th September 2013.
- 1.15 Based on the information provided in this report on the completion of the 2013/14 internal audit plan, it is considered that the requirements of the Charter were met during the year.

2 Conclusions and Reasons for Recommendation

- 2.1 To present to Members the annual report for the Internal Audit Consortium in respect of Bolsover District Council for 2013/14.
- 2.2 To ensure compliance with the Public Sector Internal Audit Standards.

2.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

3 Consultation and Equality Impact

3.1 Not Applicable.

4 Alternative Options and Reasons for Rejection

4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

This report ensures that Members are aware of the work undertaken by internal audit during 2013/14 and their opinion on the adequacy and effectiveness of the systems in place at Bolsover District Council.

5.2 Legal Implications including Data Protection

None.

5.3 Human Resources Implications

None

6 Recommendation

6.1 That the Internal Audit Consortium Annual Report for 2013/14 be noted.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None
Links to Corporate Plan priorities or Policy Framework	The internal audit plan helps to achieve the corporate aim "Strategic Organisational Development" which looks to continually improve the organisation.

8 Document Information

Appendix No	Title
Appendix 1	Internal Audit Reports issued 2013/14
Appendix 2	Comparison of Planned Audits to Audits Completed 2013/14
Appendix 3	Progress against Improvement Plan
Background Papers	
Report Author	Contact Number
Jenny Williams	01246 242463

Appendix 1

Bolsover District Council – Internal Audit Reports Issued 2013/14

Ref	Report Title	Overall Opinion 2013/14	Overall Opinion Previous Audit
1	Sickness Absence Monitoring	Satisfactory	Marginal
2	Corporate Targets	Satisfactory	Marginal
3	Clowne Leisure Centre	Marginal	N/A
4	Planning Fees	Good	Good
5	Land Charges	Good	Good
6	Disaster Recovery	Satisfactory	Satisfactory
7	WNF	Good	Good
8	Gas Servicing	Fit for Purpose	Unsatisfactory
9	Procurement	Marginal	Marginal
10	Right to Buy Sales	Satisfactory	Marginal
11	Council Tax	Good	Satisfactory
12	Stores	Satisfactory	Marginal
13	Cash and Bank	Satisfactory	Good
14	Creswell Leisure Centre	Satisfactory	Marginal
15	Housing Rents	Marginal	Satisfactory
16	Treasury Management	Good	Good
17	Housing Benefits	Good	Satisfactory
18	Gifts and Hospitality	Satisfactory	Satisfactory
19	Housing Repairs	Satisfactory	Marginal
20	Creditors	Good	Satisfactory
21	Debtors	Good	Good
22	Transparency Agenda	Satisfactory	N/A
23	ICT Policies and Network Security	Good	Satisfactory
24	Internet Usage Policy	Good	N/A
25	Insurance	Good	Good
26	Main Accounting	Good	Good
27	Payroll	Good	Good
28	Non Domestic Rates	Good	Good
29	Budgetary Control	Good	Satisfactory
30	Refuse Collection	Good	Satisfactory
31	Data Protection - CCTV	Satisfactory	Unsatisfactory
32	Risk Management	Good	Satisfactory
33	The Tangent	Satisfactory	N/A

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 of Planned Audits to Audits Completed 2013/14**

Main Financial Systems – Planned Audits	Progress as at 31st March 2014
Main Accounting System	Completed
Budgetary Control	Completed
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
Housing Rents	Completed
Housing Repairs	Completed
Stores	Completed

Other Operational Audits – Planned Audits	Progress as at 31st March 2014
Corporate Resources Resources Directorate	
Insurance	Completed
Cash Floats and Balances	Completed
Neighbourhoods Directorate	
Anti Social Behaviour/Community Safety	Deferred
Right to Buy Sales	Completed
Refuse Collection	In Progress
Health and Wellbeing Directorate	
Creswell Leisure Centre	Completed
Clowne Sports Centre	Completed
EH Miscellaneous Income	In Progress
Ticket Sales for Events	Completed
Chief Executive's	
Working Neighbourhoods Fund	Completed
Land Charges	Completed
Development Directorate	
Final Accounts	In Progress
Planning Fees	Completed

Other Operational Audits – Planned Audits	Progress as at 31st March 2014
The Tangent Business Hub	In Progress

Computer / IT Related – Planned Audits	Progress as at 31st March 2014
Internet Usage Monitoring	Completed
Disaster Recovery	Completed
IT Policy and Security Review	Completed

Fraud and Corruption – Planned Audits	Progress as at 31st March 2014
National Fraud Initiative	Completed
Fraud Modules	Completed
Gifts and Hospitality	Completed

Corporate / Cross Cutting Issues – Planned Audits	Progress as at 31st March 2014
Corporate Targets	Completed
Corporate Governance / Assurance Statement	Input to working group
Financial Advice / Working Groups	On going
Procurement/Contract monitoring	Completed
Risk Management	In Progress
Sickness Absence	Completed
Inventories	Completed
Data Protection	In Progress
Transparency Agenda	Completed

Client Officer / SMT Issues	Progress as at 31st March 2014
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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INTERNAL AUDIT CONSORTIUM**BOLSOVER DISTRICT COUNCIL****Progress Against Improvement Plan**

Standards	Compliance	Current	Action Required	Progress as at 31/03/2014
Does the Chief Executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive (Head of the Internal Audit Consortium)?	N	Currently undertaken by the Head of Finance. Indirectly actioned via the annual review of the effectiveness of Internal Audit	None at this time	N/A
Is feedback sought from the Chair of the Audit Committee for the Chief Audit Executive's (Head of Internal Audit) performance appraisal?	N	Currently undertaken by the Head of Finance. Indirectly via the annual review of the effectiveness of Internal Audit	The Head of Finance to discuss with the Chair of the Audit Committee if there are any issues that require raising prior to the Head of Audit's EPD	EPD due July 2014

Standards	Compliance	Current	Action Required	Progress as at 31/03/2014
Does the Chief Audit Executive (CAE) ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	P	There are job descriptions etc for all posts however following a grading appeal by Auditors the Auditor job description is being reviewed.	Auditors job description to be reviewed	Completed
Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS?	P	The audit manual guides staff in performing their duties in a consistent way with the CIPFA code of practice 2006. Last reviewed June 2010.	Audit manual to be reviewed and updated to reflect the PSIAS	Completed
Has the CAE developed and implemented retention requirements for all types of engagement records?	P	The audit manual defines retention requirements which are reviewed on an ongoing basis to ensure they remain in line with current good practice.	Retention requirements in respect of audit documents need to be subject to regular review. All staff will be reminded of the requirement to review their manual and electronic records to ensure that they are retained in accordance with retention requirements	Completed

Standards	Compliance	Current	Action Required	Progress as at 31/03/2014
Has an external assessment been carried out, or is planned to be carried out at least once every five years?	Y/N	Not undertaken as yet	An external assessment must be carried out by April 2018	Not Due Yet
Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	P	System of following up at quarterly directorate and service head meetings is being trialled	To embed a system of following up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action	Completed

Bolsover District Council

Audit Committee

23rd June 2014

Summary of Progress on the 2013/14 and 2014/15 Internal Audit Plan

Report of the Interim Head of Internal Audit

This report is public

Purpose of the Report

- To present, for members' information, progress made by the Audit Consortium, during the period 18th January 2014 to 6th June 2014, in relation to the 2013/14 and 2014/15 Annual Internal Audit Plans. The report includes a summary of Internal Audit Reports issued during the period and work in progress.

1 Report Details

- 1.1 The 2013/14 Consortium Internal Audit Plan for Bolsover was reported to the Audit Committee on the 12th March 2013. In December 2013 it was agreed that the capital accounting audit would be removed from the plan as KPMG undertake the required work in this area and no longer require the verification of the existence of a sample of assets.
- 1.2 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.
- 1.3 Attached, as Appendix 1, is a summary of reports issued covering the period 18th January 2014 – 6th June 2014, for audits included in the 2013/14 Consortium Internal Audit Plan.
- 1.4 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.
- 1.5 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.
- 1.6 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.

- 1.7 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.
- 1.8 The majority of agreed work in relation to the 2013/14 Internal Audit Plan has now been completed and reported. The completion of one audit (environmental health miscellaneous income) has been delayed and the results of this audit will be reported next time.
- 1.9 In addition to this, there is just one low priority audit (Anti Social Behaviour/Community Safety) that has been deferred. This area has been partially covered by the review of CCTV that was undertaken this year as part of the data protection audit.
- 1.10 Work has commenced on audits included in the 2014/15 internal audit plan, the following audits currently being in progress:
- VAT
 - Licensing (Environmental Health)
 - Clowne Sports Centre
 - Freedom of Information
 - Gas Servicing
 - Section 106

2 Conclusions and Reasons for Recommendation

- 2.1 To inform Members of progress on the Internal Audit Plan for 2013/14 and 2014/15 and the Audit Reports issued.
- 2.2 To comply with the requirements of the Public Sector Internal Audit Standards.

3. Consultation and Equality Impact

3.1 None

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

Regular reports on progress against the internal audit plan ensure compliance with the Public Sector Internal Audit Standards and allow members to monitor progress against the plan.

5.2 Legal Implications including Data Protection

None

5.3 Human Resources Implications

None

6 Recommendation

That the report be noted.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None
Links to Corporate Plan priorities or Policy Framework	The internal audit plan helps to achieve the corporate aim "Strategic Organisational Development" which looks to continually improve the organisation.

8 Document Information

Appendix No	Title
Appendix 1	Summary of Internal Audit Reports Issued 18 th January – 6 th June 2014

Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
N/A	
Report Author	Contact Number
Jenny Williams	01246 242463

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 – 18th January 2014 – 6th June 2014

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B021	Debtors	To review the controls in place for the raising of debt and collection of income	Good	25/02/2014	18/03/2014	0	0
B022	Transparency Agenda	To ensure that the Council publishes information in line with legislative requirements	Satisfactory	5/03/2014	26/03/2014	1M	1
B023	ICT Policies and Network Security	To ensure that policies are up to date and comprehensive and that network security is satisfactory	Good	7/03/2014	28/03/2014	0	0
B024	Internet Usage Policy	To ensure that internet usage is appropriately monitored and restricted	Good	7/03/2014	28/03/2014	1M	1
B025	Insurance	To ensure that the Council has appropriate policies in place	Good	14/03/2014	4/04/2014	1M 2L	3

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B026	Main Accounting	To ensure that the controls and procedures in place are operating correctly	Good	25/03/2014	15/04/2014	0	0
B027	Payroll	To review and assess the controls and procedures in place	Good	25/03/2014	15/04/2014	2L	2
B028	Non Domestic Rates	To ensure that bills are accurately raised and income collected.	Good	4/04/2014	25/04/2014	1H	1
B029	Budgetary Control	To ensure that there are strong budgetary control procedures in place	Good	8/04/2014	29/04/2014	1M 1L	2
B030	Refuse Collection	To review the operation of the service	Good	30/04/2014	21/05/2014	0	0
B031	CCTV	To ensure that Data Protection requirements are met in terms of CCTV	Satisfactory	14/05/2014	4/06/2014	2H 3M 2L	7
B032	Risk Management	To ensure that risk management has become embedded within the Council	Good	3/06/2014	24/06/2014	1L	Note 1

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B033	The Tangent	To ensure that all lettings and terminations are actioned in line with procedure and that rent is received promptly.	Satisfactory	3/06/2014	24/06/2014	1M 4L	Note 1

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

Note 1 The response was not due at the time of compiling this report

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Bolsover District Council

Audit Committee

23rd June 2014

Annual Review of the Effectiveness of Internal Audit

Report of the Executive Director - Operations

Purpose of the Report

- To provide to the Audit Committee the annual review by the Chief Financial Officer of the effectiveness of the Council's Internal Audit arrangements.
- 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.

1 Report Details

Background

- 1.1 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.
- 1.2 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.

Review of the Effectiveness of Internal Audit

- 1.3 The Chief Financial Officer in reviewing the effectiveness of the Council's Internal Audit Service during 2013/14 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.

- 1.4 Firstly, the Internal Audit Consortium has achieved 100% of the revised Internal Audit Plan for 2013/14 that was approved by this committee in December 2013. 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 revised Plan has been 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 both at the start of the financial year and concerning the Revised version in December 2013. . As Chief Financial Officer 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 meetings of the 12th March 2013 and that of 10th December 2013, where it was given appropriate consideration. Progress against the Audit Plan was reported on by the Interim Head of the Internal Audit Consortium at the previous meeting of this Committee on the 17th April 2014, and I am satisfied that this review gives Members a true and fair view as to progress during the 2013/14 financial year. It should be noted that the Plan in respect of 2014/15 was agreed at this Committee on 17th April 2014.
- 1.5. 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 are effectively quality checked by the Executive Director Operations and the Assistant Director – Finance and Revenues and Benefits 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.
- 1.6 Thirdly, the audit team operate to recognised good practice as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), in its Public Sector Internal Audit Standards (2013). In the September of 2013 a report was brought to this Committee setting out a comparison between the requirements of the Standards with an outline as to how Bolsover complied with these requirements. That assessment concluded that the Council complied with all main areas of the Standards. An Improvement Plan was developed to address the minor areas of non compliance. Progress against the Improvement Plan will be reported in the Internal Audit Consortium's annual report. On the basis of the evidence available the Chief Financial Officer is satisfied that the Consortium is operating in line with the

requirements of the Public Sector Internal Audit Standards. In addition 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).

- 1.7 It should be noted that under the Public Sector Internal Audit Standards (2013) which have applied since April 2013 that the Council is required once every five years to commission an independent review of its Internal Audit function by a suitably qualified external organisation. Officers have considered the position and have come to the view that such a review would probably be better undertaken at a later stage. The prime factor in forming this view is that 2013/14 is the first year in which the new system has operated and it was considered to be appropriate that we allow the market for external review to settle before committing to an external review of the work. Officers are of the view that 2015 or 2016 would be a more suitable date.
- 1.8 It should also be noted that the Council's External Auditors the Audit Commission 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. That work is quality assessed by the Audit Commission to ensure that it can place reliance on the work of the Internal Audit team. While there is no formal assurance work undertaken by the Audit Commission 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.
- 1.9. One of the issues that has been raised by External Audit concerns the capacity of the team given that the former Head of the Internal Audit Team resigned from the host authority (Chesterfield Borough Council) over a year ago. Since that time the Interim Head of the Internal Audit Consortium has been managing the service. The staff resource concerned has not been replaced by additional resources at any level within internal audit and the Team now has only one fully qualified Member. On the basis of the evidence provided within this report the internal team is continuing to operate at a high standard. During the course of 2013/14 the Council's senior officers have undertaken two pieces of work looking at the coverage of the Audit Plan. On the basis of a comparison with other authorities in Derbyshire we have come to the conclusion that our level of audit coverage remains above average and that operating at the current level of capacity should not compromise the robustness of our internal control system.
- 1.10. The Audit Committee may wish to note that officers are currently working as part of a wider consortium across Derbyshire in order to consider the advisability of operating internal audit across a wider area. An external consultant is in the process of being commissioned to produce a Business Plan and once this will be available the option will be given appropriate consideration. This move is in no way a reflection on current arrangements but reflects the drive to look at the wider issue of whether shared services on a wider basis could generate financial savings together with improved resilience across the Derbyshire area.
- 1.11 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 Interim Head of Internal Audit does give consideration to the overall cost of the Internal Audit Consortium in conjunction with colleagues that are part of the Midlands Audit Group.

2 Conclusions and Reasons for Recommendation

2.1 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. 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.

2.2 To establish whether the Audit Committee is in support of the view of the Chief Financial Officer 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."

3 Consultation and Equality Impact

3.1 Given that the purpose of this report is to consider the effectiveness of an existing service it is not considered that there is a requirement for consultation on this matter, or that there is any direct impact upon equality issues.

4 Alternative Options and Reasons for Rejection

4.1 The Chief Financial Officer is required by good practice to consider at the end of each financial year whether or not the Internal Audit team provide a service on which he can place reliance. There is therefore no option other than to bring this report to the Audit Committee which is the Committee charged with ensuring the sound financial governance of the Council.

4.2 In arriving at the conclusion of the report there is an option to conclude that the Internal Audit team does not provide a service on which the Chief Financial Officer can place reliance. Section 1 of the report sets out the grounds on which the Chief Financial Officer has decided to take the view that the Internal Audit Team does provide a service on which he can place reliance.

5 **Implications**

5.1 **Finance and Risk Implications**

- There are no additional financial implications arising out of this report.
- The fact that the Chief Financial Officer has concluded that the service is one on which he can place reliance does help reduce the risk of the failure of the Council's Internal Control arrangements.

5.2 **Legal Implications including Data Protection**

There are no Legal or Data Protection issues arising directly from this report.

5.3 **Human Resources Implications**

These are no additional HR implications arising out of this report.

6 **Recommendations**

- 6.1 That the Audit Committee consider the views of the Chief Financial Officer in his assessment of the Internal Audit Service during the 2013/14 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."

- 6.2 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.

7 **Decision Information**

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None Directly.
Links to Corporate Plan priorities or Policy Framework	Customer Focused Services – Providing Excellent customer focussed services. Strategic Organisational Development – Continually improving our organisation

8 **Document Information**

Appendix No	Title
N/A	
<p>Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p>	
Report Author	Contact Number
Executive Director – Operations (Chief Financial Officer)	2431

Bolsover District Council

Audit Committee

23rd June 2014

Draft Statement of Accounts including Annual Governance Statement 2013/14.

Report of the Executive Director – Operations

This report is public

Purpose of the Report

- To note the provisional outturn position in respect of 2013/14 as set out within the introduction to the Accounts provided by the Chief Financial Officer.
- 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 2014.
- To obtain agreement to the Annual Governance Statement 2013/14 which will be published alongside the Council's Statement of Accounts.
- To allow the Audit Committee to consider the draft Statement of Accounts before they are submitted for Audit.

1 Report Details

Background Information

1.1 An amendment to the Accounts and Audit Regulations significantly changed the process of preparing local authority accounts. 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 22 September 2013 for approval on behalf of the Council. The Accounts that are attached to this report as Appendix 1 are therefore provided to the Committee for information and comment and may be subject to amendment prior to submission to External Audit.

- 1.2. A summary of the financial outturn in respect of 2013/14 is provided within the Explanatory Foreword to the Statement of Accounts by the Chief Financial Officer. A copy of the proposed Foreword is provided as part of the Statement of Accounts 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 2013/14 Accounts on the approved Medium Term Financial Plan.
- 1.3. 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 those of 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.

Annual Governance Statement

- 1.4. The proposed Annual Governance Statement for 2013/14 is attached as part of the Appendix.

2 Conclusions and Reasons for Recommendation

- 2.1 The fact that it has proved possible to provide a completed version of the draft Statement of Accounts prior to the meeting of the Audit Committee on 23rd June demonstrates that the Accounts have been produced in a timely fashion given that the date for submission is 30th June 2014.
- 2.2 To ensure that the Council's draft Statement of Accounts are appropriately considered by the Council, including in particular the endorsement by the Audit Committee of the Annual Governance Statement.

3 Consultation and Equality Impact

- 3.1 The Statement of Accounts provides a summary of the Council's financial transactions and financial position during the 2013/14 accounting year. While this constitutes a key public document for the Council it is not intended to hold any consultation around the Statement of Account itself. The process of consultation is focussed upon the agreement to the Council's budget at the outset of the financial year, rather than upon the reporting of the outturn position.

3.2. There are no equality issues arising directly from this report.

4 Alternative Options and Reasons for Rejection

4.1 The production of the Statement of Accounts is required by statute and the format of those Accounts is largely determined by good practice. Accordingly the Council has not given consideration to any other options in this instance.

5 Implications

5.1 Finance and Risk Implications

- The financial implications are set out within the body of the report and the attached Statement of Accounts. Further reports will be brought back to Members setting out the detailed variances in respect of the 2013/14 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.
- Members should note that the budgets against which we have monitored the 2013/14 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 2013/14 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 current Medium Term Financial Plan.
- There are no issues concerning Risk Management arising directly out of this report

5.2 Legal Implications including Data Protection

- 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 2014 which will secure compliance with the Council's legal obligations.
- There are no data protection issues arising directly from this report.

Human Resources Implications

- None arising directly from this report

6 **Recommendations**

- 6.1 That the Audit Committee note that the Executive Director - Operations in his capacity as Chief Financial Officer will sign off the draft 2013/14 accounts on behalf of the Council.
- 6.2 That the Audited Statement of Accounts 2013/14 be brought to this Committee at its meeting on 22 September 2014 for approval on behalf of the Council.

7 **Decision Information**

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None Directly.
Links to Corporate Plan priorities or Policy Framework	All Priorities.

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N/A	
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Report Author	Contact Number
Chief Accountant Assistant Director Finance, Revenues and Benefits. Executive Director – Operations	2458 / 2214 /2431

Report Reference –