

AUDIT COMMITTEE

AGENDA

Monday 22nd September 2014 at 1400 hours in Chamber Suites 1 & 2, 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 23 rd June 2014.	3 to 7
5.	Reports of the External Auditor (KPMG) Report to those charged with governance (ISA 260) 2013/14. KPMG Document.	To Follow
6.	Reports of the Executive Director - Operations Bolsover District Council Statement of Accounts 2013/14. Statement of Accounts Document.	To Follow
7.	Reports of the Internal Audit Consortium; Internal Audit Consortium – Summary of Progress on the Internal Audit Plan 2014/15.	8 to 12
8.	Reports of the Executive Director - Operations Key Issues of Financial Governance.	To Follow
9.	Reports of the Executive Director - Operations Financial Outturn 2013/2014.	13 to 50
10.	Reports of the Executive Director - Operations Budget Monitoring report Quarter 1 – April to June 2013.	51 to 72
11.	Reports of the Executive Director- Operations Strategic Risk Register.	73 to 81

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Meeting Room 4, The Arc, Clowne, on Monday 23rd June 2014 at 1000 hours.

PRESENT:-

Members: - Councillors J.A. Clifton (from during Minute Number 0118), 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

0111. APOLOGIES

There were no apologies for absence.

0112. URGENT ITEMS OF BUSINESS

The Chair advised the meeting of an urgent item of business to be considered at the request of Councillor Fritchley that all of the Streetscene service be audited in light of Derbyshire County Council reducing its expenditure on grass cutting etc.

Councillor McGregor advised the meeting that Sustainable Communities Scrutiny Committee would be starting a Review of the grounds maintenance service which was part of Streetscene and it was noted that a Review of the refuse collection service had been carried out last year. The Executive Director – Operations suggested that the Interim Head of Internal Audit present reports from previous audits of the Streetscene Service to the next Audit Committee meeting before a decision was made. This was agreed by the Committee as being an appropriate way forward.

0113. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0114. MINUTES – 4th FEBRUARY 2014

Moved by Councillor D. McGregor, seconded by Councillor K. Reid,
RESOLVED that the minutes of an Audit Committee meeting held on 4th February 2014 be approved as a correct record.

AUDIT COMMITTEE

0115. REPORT OF THE INTERNAL AUDIT CONSORTIUM; INTERNAL AUDIT CONSORTIUM 2013/14 ANNUAL REPORT TO BOLSOVER DISTRICT COUNCIL

The Interim Head of the Internal Audit Consortium presented the Annual Report for the Internal Audit Consortium in respect of Bolsover District Council for 2013/14.

The report helped ensure that Members were aware of the work undertaken by Internal Audit during 2013/14 and helped inform their opinion on the adequacy and effectiveness of the systems in place at Bolsover District Council.

Appendix 1 to the report detailed audit reports issued in respect of the 2013/14 Internal Audit Plan and the overall opinion on the reliability of the internal controls. An additional column showed the opinion given at the last audit for information.

Appendix 2 to the report provided comparison of planned audits to audits completed in 2013/14. Overall 95% of planned audits were completed during the year.

Appendix 3 to the report showed progress against the Improvement Plan with respect to the 2013 CIPFA standards.

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

Members were asked to note that the cost per audit day for 2014/15 was calculated on the basis that a Head and Deputy Head of the Internal Audit Consortium had been budgeted for. In fact, the Consortium was currently operating with only an Interim Head which should lead to a reduction in the cost per audit day.

Members raised questions and discussion took place.

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

0116. REPORT OF THE INTERNAL AUDIT CONSORTIUM SUMMARY OF PROGRESS ON THE 2013/14 AND 2014/15 INTERNAL AUDIT PLAN

The Interim Head of the Internal Audit Consortium presented a report on 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 included an appendix which summarised Internal Audit Reports issued during the period and work in progress. It also provided for each report a summary of the Overall Audit Opinion on the audit and the number of recommendations made/agreed where a full response had been received.

AUDIT COMMITTEE

The majority of agreed work in relation to the 2013/14 Internal Audit Plan had now been completed and reported. The completion of one audit (Environmental Health - miscellaneous income) had been delayed and the results of the audit would be reported at the next Audit Committee meeting.

In addition, there was one low priority audit (Anti Social Behaviour/Community Safety) that had been deferred. This area had been partially covered by the review of CCTV that was undertaken earlier in the year as part of the data protection audit.

Work had commenced on audits included in the 2014/15 internal audit plan and the following audits were currently in progress;

- VAT
- Licensing (Environmental Health)
- Clowne Sports Centre
- Freedom of Information
- Gas Servicing
- Section 106

In response to Members questions, the Interim Head of the Internal Audit Consortium advised the meeting that internal audit had revisited gas servicing, kept a constant watch on it and it was now hitting 100% of properties in timescales. Members queried when the Section 106 internal audit review would be completed and asked what findings were coming out of it. The Interim Head of the Internal Audit Consortium stated that the review should be complete and the findings ready to report to the next Audit Committee in September. . .

Moved by Councillor K. Reid, seconded by Councillor D. McGregor
RESOLVED that the report be noted.

0117. REPORT OF THE EXECUTIVE DIRECTOR – OPERATIONS ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Executive Director – Operations presented a report on the annual review by the Chief Financial Officer of the effectiveness of the Council's Internal Audit arrangements. Members were asked to note that paragraph 1.4 in the report should state 97% and not 100%.

The Chief Financial Officer in reviewing the effectiveness of the Council's Internal Audit Service during 2013/14 was satisfied that an effective service had been provided and his overall conclusion regarding the service was 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."

AUDIT COMMITTEE

The justification for the statement was set out in the report and Committee were asked to consider whether the conclusion by the Chief Financial Officer as stated above represented a reasonable evaluation of the position in respect of the Internal Audit service and its effectiveness as part of the Council's Governance arrangements.

Councillor McGregor commented that improvements made were recognised by Members and that staff had undertaken some excellent work. Councillor Reid and Watts added that they wished to congratulate and thank staff on the work they had done.

Moved by Councillor D. McGregor, seconded by Councillor K. Reid
RESOLVED that the report be received.

0118. DRAFT STATEMENT OF ACCOUNTS INCLUDING ANNUAL GOVERNANCE STATEMENT 2013/14

The Executive Director – Operations presented a report in relation to the draft Statement of Accounts which included the Annual Governance Statement 2013/14.

The Executive Director – Operations noted his thanks to the Chief Accountant and Accountancy staff who had prepared the draft Statement of Accounts well within the necessary timescales. It was noted that the Assistant Director would be moving to another authority in the near future. The Committee expressed their appreciation for his contribution in improving the quality of the Council's financial reporting and internal control arrangements.

Members were reminded that an amendment to the Accounts and Audit Regulations had significantly changed the process of preparing local authority accounts and Members would now only be requested to approve the annual accounts after the findings of the independent external audit were known. Accordingly, Members were asked to consider the draft Statement of Accounts before they were submitted for audit and to also 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.

At the end of June, the draft accounts would be signed off by the Chief Financial Officer with the audited accounts being brought back to the meeting of Audit Committee on the 22nd September 2014, for approval on behalf of the Council.

The Executive Director – Operations noted that it had been a 'golden' year for the Council in terms of the accounts/finances. As noted above the draft Statement of Accounts had been prepared early, savings had been achieved in full due to the efficiency grant, major changes had been introduced with regard to business rates and the standards of financial governance had improved significantly. A lot of work had been carried out and Audit Committee had supported staff and called Directors to account where necessary.

AUDIT COMMITTEE

The Leader commented that the Council had come from a dark place to a good place and it was a credit to the Chief Accountant and her team and the Council could be proud of the achievement.

The Chair and Councillor McGregor agreed with the Leader's comments.

Councillor Clifton entered the meeting at this point.

A discussion took place around the Council's housing stock and loss of rent due to vacant flats in sheltered and related accommodation. The Executive Director – Operations agreed to look at this and report back to the next Audit Committee meeting.

Moved by Councillor D. McGregor, seconded by Councillor E. Watts

RESOLVED that (1) the Executive Director - Operations in his capacity as Chief Financial Officer signs off the draft 2013/14 accounts on behalf of the Council,

(2) the Audited Statement of Accounts 2013/14 is brought to Audit Committee at its meeting on 22nd September 2014 for approval on behalf of the Council.

(Executive Director – Operations/Governance Manager)

The meeting concluded at 1047 hours.

Bolsover District Council

Audit Committee

22nd September 2014

Summary of Progress on the 2014/15 Internal Audit Plan

This report is public

Purpose of the Report

- To present, for members' information, progress made by the Audit Consortium, during the period 7th June 2014 to 5th September 2014, in relation to the 2014/15 Annual Internal Audit Plan. The report includes a summary of Internal Audit Reports issued during the period and work in progress.

1 Report Details

- 1.1 The 2014/15 Consortium Internal Audit Plan for Bolsover was reported to the Audit Committee on the 17th April 2014.
- 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 7th June 2014 – 5th September 2014, for audits included in the 2014/15 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.

1.7 The following audits are currently in progress:

- Cash and Bank
- Clowne Sports Centre
- Housing Benefits
- Procurement
- Council Tax
- Grounds Maintenance

While reasonable progress has been made against the agreed Audit Plan in the first half of the financial year the number of audits completed has been lower than originally envisaged and it will be necessary to accelerate progress against the Audit Plan during the remainder of the financial year. The position is being carefully monitored to ensure we are in a position to achieve the agreed Audit Plan by the year end.

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plan for 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

5.1.1 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

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendation

6.1 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 7 th June – 5 th September 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 – 7th June 2014 – 5th September 2014

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
2013/14							
B034	Environmental Services – Miscellaneous Income	To ensure that income is in line with fees and charges, that it is banked promptly and reconciled.	Satisfactory	4/08/2014	25/08/2014	4 (1H 3L)	Note 1
2014/15							
B001	Freedom of Information	To ensure that FOI requests are dealt with promptly and correctly	Good	10/06/2014	1/07/2014	1M	1
B002	VAT	To ensure that VAT returns are accurate and timely	Good	17/06/2014	8/07/2014	1H	1
B003	Gas Servicing	To ensure there are robust procedures in place	Good	3/07/2014	24/07/2014	2 (1M 1L)	2

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B004	Section 106 Agreements	To review the procedures for the recording and monitoring of Section 106 agreements and the respective financial contributions	Marginal	3/07/2014	24/07/2014	6 (2H 3M 1L)	6
B005	Environmental Health - Licences	To ensure that licence fees are raised correctly, banked promptly and reconciled.	Satisfactory	17/07/2014	7/08/2014	5 (3M 2L)	Note 1
Misc	Grounds Maintenance – Performance - Grass Cutting	To review and assess the procedures for grass cutting in the District	N/A – Management have already considered the improvements that could be made to the service	20/08/2014	N/A	0	0

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

Note 1 The response had not been received at the time of compiling this report

....

Bolsover District Council

Audit Committee

22nd September 2014

Financial Outturn 2013/14

This report is public

Report of the Executive Director - Operations

Purpose of the Report

- To update Members of the Audit Committee concerning the current position in respect of the Financial Outturn 2013/2014.

1 Report Details

Background

- 1.1 The financial outturn position in respect of the previous financial year was reported to Executive at its meeting of 14th July 2014. Given that the report provided to Executive contains a greater level of detail than is provided within the Statement of Accounts it is appropriate that a copy of the Executive Report is provided to the Audit Committee for information.
- 1.2 The Executive report is attached to this covering report for consideration by the Audit Committee.

2 Conclusions and Reasons for Recommendation

- 2.1 These are set out within the relevant section of the attached report.

Reasons for Recommendation.

- 2.2 These are set out within the relevant section of the attached report.

3 Consultation and Equality Impact

- 3.1 These are set out within the relevant section of the attached report.

4 Alternative Options and Reasons for Rejection

- 4.1 These are set out within the relevant section of the attached report.

5 **Implications**

5.1 **Finance and Risk Implications**

These are set out within the relevant section of the attached report.

5.2 **Legal Implications including Data Protection**

These are set out within the relevant section of the attached report.

5.3 **Human Resources Implications**

These are set out within the relevant section of the attached report.

6 **Recommendations**

- 6.1 That the Audit Committee note the Financial Outturn 2013/2014 report and make any comments that they believe to be appropriate with regards to the position which was reported to Executive on 14th July 2014.

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	All.
Links to Corporate Plan priorities or Policy Framework	All Priorities

8 **Document Information**

Appendix No	Title
1	Financial Outturn 2013-14 (Executive Report 14 th July 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)	
Financial Ledger	
Report Author	Contact Number
Chief Accountant	2458

Audit Committee 22nd September 2014 - Financial Outturn 2013-14

Report presented to Executive 14th July 2014

Bolsover District Council

Executive

14 July 2014

Financial Outturn 2013-14

Report of the Section 151 Officer (Portfolio Holder: Cllr E Watts)

This report is public

Purpose of Report

- To inform Executive of the financial outturn position of the Council in respect of the 2013/14 financial year.

1 Background Information

- 1.1 The Council has closed its financial accounts for 2013/14 in line with the required deadline of 30 June 2014. The draft Statement of Accounts 2013/14 is now subject to independent audit from the Council's external auditors, KPMG. Until the accounts have been agreed by our external auditors, which will take place before 30 September 2014, there remains the possibility that they will be subject to amendment.
- 1.2 Members should note that the Council's Draft Statement of Accounts in respect of 2013/14 was signed as complete by the Council's Chief Financial Officer (Executive Director – Operations) at the end of June 2014. The final audited accounts will be reported to and approved by the Audit Committee at its meeting of 24th September 2014.
- 1.3 International Financial Reporting Standards (IFRS) dictates that the main focus of the Statement of Accounts is on reporting to the public in a format which is directly comparable with every country that has adopted IFRS i.e. not just UK or even other local authorities. In contrast the focus of this report is on providing management information to Members and other stakeholders to assist in the financial management of the Council.
- 1.4 The following sections of this report will consider the 2013/14 outturn position in respect of the General Fund Revenue Account, the Housing Revenue Account (HRA), the Council's Capital Investment Programme and Treasury Management activities. Within the report consideration is given to the level of balances at the year end, to any impact on the Council's Medium Term Financial Plan of the outturn position, and an assessment of the impact which the closing position has upon the Council's budgets in respect of the current financial year.
- 1.5 Appendix F provides an outline of the level of usable financial balances as at 31st March 2014.

2 Issues for Consideration

2.1 General Fund Revenue Account

The position in respect of the General Fund outturn is detailed in **Appendix A** attached to this report. The appendix shows the Original Budget that was set in February 2013 based on the Management Structure of the Council at that time. This structure has been in place for the majority of the financial year and all budget monitoring during the year has been based on this structure. The Appendix also shows the Revised Budget that was approved in November 2013. During the period between the approval of the Revised Budgets and the end of the financial year budget changes were processed by the Accountancy Section to track where financial savings were identified, budget transfer (virement) requests were agreed and Executive/Council approved items with financial implications. These movements are tracked within the financial management system and monitored within the "Current Budget". This is the budget that all budget officers use to manage their cost centres. It is therefore appropriate to show the Original Budget the Revised Budget and the Current Budget for 2013/14. Within the report the actual outturn position is monitored against the latest Current Budget used in 2013/14.

2.2 One further adjustment has been undertaken in the appendix in order to present a clearer outturn position to Members. This adjustment is to the current budget for expenditure that was planned to have been financed from resources held in grant accounts, holding accounts, S106 accounts and certain reserves. The adjustments reflect where this expenditure has not been incurred and therefore the use of the financing was not required. This adjustment does not impact on the bottom line for the Council but if not adjusted would distort the underlying variance position.

2.3 In summary it can be seen on **Appendix A** that there has been an under spend in the year on the provision of services of £0.387m (column G). This position has arisen from under spending on budgets, additional income and efficiency savings. With respect to the detailed variances behind the summary figures these are presented at **Appendix B**. Comments have been added in **Appendix B** to show the reasons for the main variances on each cost centre.

2.4 The improvement in the Council's financial position was achieved by a combination of factors:

- The availability of Efficiency Grant to support transformation and restructuring costs.
- Budget managers exercising tight management control over their budgets. Expenditure has only been incurred where the services have a genuine need to incur the costs to provide the services required.
- The general upturn in the economy; particularly in relation to planning fees and NNDR business rates retention.
- Good financial management of resources (debt charges and investment interest).

2.5 After taking into account the variances on capital financing transactions and treasury management activity (Debt Charges and Investment Interest) the under spend is increased by £0.107m (debt charges £0.042m, Investment interest £0.065) to £0.494m.

- 2.6 In a small number of service areas work that was planned to be undertaken in the 2013/14 financial year has been delayed and there is a request from the cost centre managers to carry forward the approved budgets for this work into 2014/15. The total cost of these carry forward budget requests comes to £0.044m. It is proposed that the carry forward requests are transferred from the "General" earmarked reserve and placed into a carry forward budget reserve so that the approved and committed work can be continued in 2014/15. The reserve will be managed by the Accountancy Section and be drawn down into the 2014/15 budget as the expenditure on these schemes is required by the relevant cost centre manager.
- 2.7 The bottom half of **Appendix A** shows the funding outturn position for the financial year.

Revenue Support Grant

The Council received a late notification of additional Revenue Support Grant from the Government (£0.023m).

Business Rates Retention - NNDR

The overall position regarding Business Rates retention for the first year of the new NNDR arrangements shows a net gain for the Council of £0.158m above the budgeted sum. While there was a shortfall of £0.074m against the growth projection this was offset by the receipt of a new grant for Small Business Rate relief of £0.232m. It was unclear at the time of setting the NNDR Business Rate Retention budgets of the accounting requirements for the Small Business Rate Relief Grant (i.e. was it within the Collection Fund or General Fund and the mechanism for distribution). The completion of the year end NNDR3 has clarified this position, however, 2013/14 was the first year of the operation of these new arrangements with the Department of Communities and Local Government issuing late notifications on accounting treatment of items and no advice at all on others. Therefore there does remain an element of risk within this area of changes to the final figures as a result of the audit.

Financial Instrument Impairment

The Council has completed the sale of its investment in Icelandic Banks during 2013/14. Over the last few years the accounting regulations have required the Council to write down the carrying value of its investment and charges to the General Fund have been put through the accounts each year end. The sale of the investment during the year has enabled the final transaction to be accounted for which results in a small reversal of previous impairment transactions of £0.034m.

The overall funding position for the Council in 2013/14 is therefore better than expected with a net favourable variance of £0.218m.

- 2.8 The overall net position to the Council is summarised as follows:

Summary General Fund	Comment	£,000
Service Provision	Net under spend	(0.388)
Debt Charges	Reduced borrowing costs	(0.042)
Investment interest	Increased level of investments	(0.065)
Revenue Support Grant	Additional Grant allocation	(0.023)
Business Rates Retention	Net increase in NNDR share	(0.158)
Financial Instruments	Final Adjustment	(0.036)
Total Favourable Variances		(0.712)

The distribution of the £0.712m favourable variance sum is set out below within the Financial Reserves and General Fund Balances Sections of the report.

2.9 Financial Reserves

Use of Reserves

During 2013/14 the Council has approved the use of various earmarked reserves. The use of earmarked reserves in 2013/14 is £1.255m which is £0.079m higher than anticipated due to the increased costs associated with the delayed sale completion of Sherwood Lodge. This additional amount was transferred from the Efficiency Grant Reserve. Full detail of the use of reserves during 2013/14 is shown in **Appendix A**. It can be seen that the Council has made significant use of the Efficiency Grant that it received in 2013/14. This has enabled the Council to finance significant organisational costs that otherwise would have needed to be met by the General Fund.

Transfer to Reserves

After allowing for the planned use of reserves (£1.589m), the additional drawdown of £0.079m from the Efficiency Grant (detailed above) and the movement on General Fund Balances (see below) the sum available for the Council to distribute is £0.873m (£0.712m + £0.079m + £0.082m). The Section 151 officer has reviewed the level of earmarked reserves and assessed the current risks faced by the Council and has made the following contributions to Earmarked Reserves.

Earmarked Reserve	Comments	Contribution £
ICT Reserve	Expenditure on ICT projects and improvements during 2013/14 has fully used the available balance within the reserve and has resulted in some prudential borrowing requirements. Therefore the proposal is to increase the reserve to meet some of the planned ICT improvements of the Council and minimise the future need for prudential borrowing.	50,000
Legal Costs Reserve	To meet any unforeseen legal costs of the Council.	68,237
General Reserve	The risk associated with the NNDR business rates retention is increased as the Council moves above the safety net threshold. The potential risk also identified with the treatment of some items within the final accounts also poses a potential cost risk to the Council. It is therefore proposed to set aside a sum to mitigate some of this risk.	50,000
Transformation Reserve	The balance of the favourable variances is proposed to be transferred to the Transformation Reserve. This reserve is set aside to meet the costs of the Council's Transformation Programme and will be utilised on an Invest to Save basis.	705,358
Total		873,595

2.10 General Fund Balances

The position on the level of the Council's General Fund balances is set out in the table given below:

GENERAL FUND	Current Budget £,000	Outturn 2013/14 £,000	Variance to Current Budget £,000
Opening Balance as at 1/04/13	1,443	1,443	0
Transfer in year	339	257	82
Closing Balance as at 31/03/14	1,782	1,700	82

- 2.11 The level of General Fund Reserves has improved by £0.257m which clearly represents an improved financial position for the Council. This position is welcome but Members should note that the balances are now considered to be at a more appropriate level for a District Council rather than at a generous level. It needs to be recognised that the current level of balances needs to be set against the background of ongoing reductions in the level of Government funding. Against this background it is crucial that the Council continues to maintain robust budgetary control whilst securing its ongoing savings targets.
- 2.12 Given the current level of balances should either an over spend or an under achievement of income occur then the Council would have a period of time in which to recover the situation. In a situation in which the Council were operating with the minimum level of balances and an overspend or an under achievement of income occurred which took balances to below minimum level then immediate 'crisis' remedial action would need to be considered. Such a response is not conducive to sound financial management but more importantly would have a significant detrimental impact upon the Council's ability to deliver the planned and agreed level of services to local residents. The continued improvement in the level of balances needs to be welcomed as providing the Council with the financial resilience necessary to safeguard local residents against a background of ongoing reductions in Government grant funding. However, Executive will recognise that given a level of General Fund balances of £1.700m, against a requirement to secure some £0.953m of financial savings for 2015/16 (next year) that there is effectively no other option for the Council other than to continue to tackle the underlying budget deficit that it is facing in future financial years.
- 2.13 While the improvement in our balances and reserves is a welcome position the main feature of the 2013/14 financial year is that the Council successfully achieved in full savings that covered the net savings target of £0.884m which had included the loss of Government Grant of £1.393m. These savings have served to reduce the underlying level of expenditure and will continue to benefit the Council in future financial years.
- 2.14 With regard to the general under spend in service provision in 2013/14 it is proposed to review the budget position as part of the ongoing budget monitoring exercise undertaken each quarter of the financial year. Any budget under spends or additional income levels from 2013/14 that are expected to continue in 2014/15

and future years will be identified and reported back to Executive with the request to approve any proposed budget adjustments.

- 2.15 In addition to the level of General Balances which are held in respect of both the HRA and the General Fund the Council has a range of other earmarked balances / reserves. Full details of both the General Fund and HRA usable balances are set out in Appendix F to this report.
- 2.16 While the Council has some £5.195m of General Fund usable reserves the only element of these reserves which are substantially unallocated and free to utilise are those relating to the Transformation Fund which held £3.158m at the end of the previous financial year. Of this amount, however, some £0.250m relates to the carry forward of Efficiency Grant with this funding relating to contractual commitments. The position will be improved by a further £2m when the capital receipts currently outstanding are received. This funding from capital receipts will, however, only be available for capital purposes. Whilst the amount of almost £3m held in the Transformation Fund – once existing commitments are funded – is a significant financial balance it does need to be recognised that while no use of the funding has been agreed by Members there are a number of issues where funding will need to be agreed. These include measures necessary to secure the savings which are needed to address the Council's projected budget shortfall of some £2.2m over the next 3 years, to support the Growth and Transformation agenda and potentially to provide the match funding that will be necessary to enable work at the Pleasley Vale Mill complex to proceed.
- 2.17 With respect to the HRA the Council has some £3.9m of usable balances. Effectively this funding is held within the 'general' HRA provision to support services and in the New Build Reserve which is fully committed to funding the approved scheme at New Houghton. Although the current level of balances are fully committed there is headroom in excess of £15m to undertake new borrowing on the basis that such borrowing is financially sustainable within the context of the 30 year HRA Business Plan. In addition there is a balance of some £4.166m on the Major Repairs Reserve.

3 Housing Revenue Account (HRA)

- 3.1 The Housing Revenue Account is set in **Appendix C** to this report and comments are provided against a number of budget lines to explain the main variances within the HRA. The Housing Revenue Account position shows overall expenditure was £0.350m below the revised budget (column C) and income some £0.089m less than anticipated, giving a net cost of services favourable variance of £0.261m for the financial year 2013/14. The favourable variance is reduced by increased interest costs (a net £0.034m) and an increase in depreciation costs (£0.134m) arising from the revaluation of all HRA dwellings as at 1 April 2014 which has increased the stock valuation. This brings the favourable variance down to £0.093m. During the year the HRA has met a number of insurance claim excess sums that has cost the HRA £0.073m (this sum is included in Repairs and Maintenance budget line); an equivalent sum has been drawn down from the HRA insurance reserve to cover this cost. The overall position is therefore a net favourable variance of £0.166m. The favourable variance position takes account of the approved transfer to balances of £0.085m indicating that the overall position would have been a surplus on the account of £0.251m. It is proposed to distribute the £0.251m as follows:
- An increase in the transfer to the Major Repairs Reserve of £0.166m from £1.199m to £1.1365m. With this transfer the Major Repairs reserve will have

a balance of £4.161m at 31 March 2014. The transfer is to set aside the additional resources to address repairs and refurbishment requirements that are identified following the full stock condition survey. The balance will effectively enable the Council to address the works required whilst minimising the need to undertake any prudential capital borrowing.

- The remainder will be a transfer to HRA balances of £0.085m as planned within the revised budget for 2013/14.

3.2 It should also be noted that the HRA has set aside £1.450m this year towards as a contribution to a Capital Development Reserve. This is to meet any major housing projects that the Council approves and for the replacement of HRA vehicles. The balance on these reserves at the end of the financial year is as follows:

HRA development reserve	£1.838m
HRA vehicle reserve	£0.189m

The development reserve is committed to cover the costs of the New Houghton new build scheme which will mean the project will be delivered without any HRA prudential borrowing.

3.3 While the improving position is welcomed Members should note that the level of balances are considered to be at an adequate level based on the level of financial risks facing the HRA following the HRA reform. The Council is continuing to work on delivering the HRA business plan to assist in the overall management of the Housing Revenue Account. Ensuring that the Council manages the resources within these plans will assist in protecting the underlying financial position in respect of future years.

3.4 **Impact on Housing Revenue Account Balance**

The impact on the Housing Revenue Account balance is as follows:-

HRA Balances	Revised Budget £,000	Outturn £,000	Variance £,000
Opening Balance as at 1/04/13	(1,776)	(1,776)	0
Surplus in year	(85)	(85)	0
Closing Balance as at 31/03/14	(1,861)	(1,861)	0

3.5 The level of balances held in respect of the HRA have increased in line with the planned position at Revised Budget time; the Chief Financial Officer remains of the view that they remain in line with the level of balances that is necessary for the financial stability of the HRA in the light of the HRA Financial Risk Register.

4 **Capital Investment Programme**

4.1 The capital expenditure incurred by the Council in 2013/14 is detailed on a scheme by scheme basis in **Appendix D**. It can be seen from the appendix that the Council's capital spend in the financial year was £3.095m (£1.030m General Fund and £2.065m HRA).

4.2 Overall expenditure was some £5.614m below the revised budget (£3.707m General Fund and £1.907m HRA).

4.3 General Fund Schemes

Within the General Fund there is one scheme that accounts for the majority of the under spend in the year. This is Project Horizon where the actual spend is £0.241m which is £3.011m below the revised budget. The delay in the completion of the sale of Sherwood Lodge has subsequently delayed the commencement of the next phase of this project (Bolsover Mini Hub).

The Bolsover Public Realm Infrastructure capital project was approved towards the end of the financial year and shows no spend against the approved sum of £0.216m at 31 March 2014.

Other General Fund schemes show a net under spend of £0.480m.

4.4 HRA Schemes

The expenditure on the new build scheme at New Houghton is £1.357m below the revised budget of £2.025m. This relates to the timing of payments under the contract conditions and also around the profiling of the capital budget forecast to be incurred within the year.

Other HRA projects show a net under spend of £0.551m

4.5 The impact of the overall under spend is that many of the schemes are included in the proposed carry forward budget requests which are also detailed on **Appendix D**. The total of these requests is £4.970m. This is for individual schemes that are still in progress, where there are outstanding commitments or where the scheme has been delayed.

4.6 Capital Financing

The Capital Programme was financed as follows:-

	Revised Budget 2013/14 £000's	Actual 2013/14 £000's	Variance £000's
HRA			
Major Repairs Reserve	(1,711)	(1,277)	(434)
Capital Receipts (inc 1-4-1 receipts)	0	(341)	341
Capital Grants	(20)	(13)	(7)
Direct from HRA	(10)	(10)	0
HRA Development Reserve	(2,170)	(413)	(1,757)
HRA Development Reserve - vehicles	(61)	(11)	(50)
Prudential Borrowing	0	0	0
Total	(3,972)	(2,065)	(1,907)
General Fund			
Prudential Borrowing – Gen Fund	(609)	0	(609)
Capital Grants and Contributions	(646)	(330)	(316)
Capital Receipts	(3,255)	(587)	(2,668)
Reserves	(227)	(113)	(114)

Total	(4,737)	(1,030)	(3,707)
Grand Total	(8,709)	(3,095)	(5,614)

4.7 HRA Capital Financing

The spending on the HRA programme was £1.907m below the Revised Budget therefore officers have been able to utilise available Council resources when considering the financing of the programme. One key change is the use of £0.341m of capital receipts to finance some of the new build scheme at New Houghton. The Council has entered into an agreement with the Government to retain a greater proportion of its capital receipts from the Sale of Council Houses on the condition that they are used to support the financing of new council housing. If the additional amount of retained receipts are not applied to a particular scheme within a certain time period the Council is obliged to repay the receipts plus interest. Therefore the application of these receipts in 2013/14 to this scheme satisfies the relevant conditions. No prudential borrowing for the HRA was undertaken in 2013/14.

4.8 General Fund Capital Financing

Officers have sought to minimise the need to undertake prudential borrowing when completing the capital financing of this element of the capital programme. No prudential borrowing for the General Fund was undertaken in 2013/14.

4.9 Capital Receipts

The table below summarises the capital receipts received and used by the Council in 2013/14:

Capital Receipt	Net Receipts in year £000	Available Capital Receipts £000
Available Receipts 1 April 2013		(19)
2013/14		
Sale of Council Houses (32 sales)	(1,308)	
Mortgage Receipts	(5)	
Land at Shirebrook	(3,550)	
Less - Pooling Costs	370	
Less - Allowable Debt (used to repay HRA debt)	556	
Sub- Total		(3,937)
Used for Capital Financing in 2013/14 (see capital financing table above)		928
Used for Capital Financing in 2013/14 (retention sums)		18
Used to repay General Fund debt		3,010
Total Available Receipts 31 March 2014		0

5 Treasury Management

5.1 At **Appendix E** is a brief report on the Treasury Management activity of the Council for 2013/14. In summary the Council operated throughout 2013/14 within the Authorised Limit and Operational Boundary limits approved in the Treasury Management strategy approved by the Council in March 2013.

5.2 The key facts from the report are:

- The overall borrowing requirement of the Council is £109.567m at 31 March 2014.
- The PWLB debt is £105.100m
- The finance lease debt is £0.107m
- Effective internal borrowing is £4.360m
- No new PWLB borrowing was undertaken in 2013/14
- The HRA headroom at 31 March 2014 is £15.400m
- PWLB interest paid in 2013/14 was £3.687m
- Interest received on investments is £0.067m
- The Council had £16.4m invested at 31 March 2014
- The Council completed the sale of the Icelandic Investment claim in January 2014.

6 Conclusions and Reasons for Recommendation

6.1 General Fund

The Council's outturn position has allowed the Council to set aside earmarked reserves to address some of the key issues facing the Council over the period of the current Medium Term Financial Plan. In particular the Transformation reserve will provide resources to be utilised on an Invest to Save basis and to meet the new corporate agenda of Growth and Transformation.

6.2 HRA

The HRA continues to operate within the 30 Year Business Plan and MTFP.

6.3 Capital Programme

The Capital Programme details that a number of schemes are ongoing and therefore the funding for these approved schemes will need to be carried forward to 2014/15.

6.4 Capital Financing

Officers have completed the capital financing with no new prudential borrowing undertaken during 2013/14. Where appropriate capital receipts were utilised to finance expenditure to ensure that the conditions attached to these receipts is met by the Council.

6.5 Treasury Management

The Council's Capital Financing Requirement and external debt management are crucial areas of operation that require careful management. Whilst external borrowing enables some of the Council's key capital investment plans to be financed it is important to ensure that the Council only undertakes prudential borrowing when it is affordable. The careful management of the external debt minimises the cost of borrowing to the Council.

7 Consultation and Equality Impact

7.1 The report has no implications within this section.

8 Alternative Options and Reasons for Rejection

8.1 The financial outturn report for 2013/14 is primarily a factual report which details the outcome of previously approved budgets therefore there are no alternative options to consider.

8.2 The allocation of resources to earmarked reserve accounts has been determined by the Chief financial Officer based on an assessment of the risks and issues currently facing the Council. If these risks do not materialise or are settled at a lower cost than anticipated then the earmarked reserve will be reassessed and returned to general balances to support approved expenditure.

9 Implications

9.1 Financial and Risk Implications

9.2 The financial implications are set out within the body of the report.

9.3 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.

9.4 The issue of Financial Risk is covered throughout the report. The risk of not achieving a balanced budget, together with the risk that the Council's level of financial balances will be further eroded are currently key corporate risks identified on the Council's Strategic Risk Register. The outturn report shows that the Council's approach to mitigating these risks during 2013/14 has been successful, with our budgets balanced and the level of financial reserves improved.

9.5 While the Council has effectively addressed its Strategic Financial Risks during 2013/14 it needs to be recognised that the Council will need to continue to meet a range of challenging savings targets if it is to operate effectively within the financial environment established by the Comprehensive Spending Review.

10 Legal Implications including Data Protection

10.1 The Statement of Accounts is required to be prepared by the 30 June each year. The Council has now completed the accounts and they have been signed off by the Chief Financial Officer as at the 30 June 2014 which secures compliance with the Council's legal obligations. There are no legal issues arising directly from this report.

11 Human Resources Implications

11.1 There are no Human Resources issues arising directly from this report.

12 Recommendations

12.1 That Members note the report and in particular the Council's financial outturn position in respect of 2013/14.

General Fund

12.2 That the budget carry forward requests totalling £44,470 as detailed on **Appendix B** are agreed as a transfer to an earmarked reserve and be drawn down into the 2014/15 budget by the Accountancy Section as required by the relevant budget manager.

12.3 That Members note the use of reserves of £1,255,184 as outlined in **Appendix A** to support approved expenditure of the General Fund in 2013/14.

12.4 That Members note transfer to various earmarked reserves of £873,595 as outlined in detail in paragraph 2.9 and within **Appendix A**.

12.5 That Members note the level of the General Fund balances as £1,700,071.

12.6 That Members request the Accountancy Section to undertake a review of the under spend position of 2013/14 with a review to determine where budget changes may be made to the 2014/15 and future budgets. The review is requested to be reported back to Executive by September 2014.

Housing Revenue Account

12.7 Members note the transfer of £166,159 from the HRA to the Major Repairs Reserve.

12.8 That Members note the outturn position of the HRA and the level of balances held at 31 March 2014 of £1,861,325.

Capital Programme

12.9 That Members approve the proposed carry forward of capital budgets detailed in Appendix D and totalling £4,970,386.

Treasury Management

12.10 That Members note the Treasury Management reported position as at 31 March 2014.

12.11 Members note the remaining outstanding debt in relation to Project Horizon is repaid during 2014/15 as soon as sufficient capital receipts are available.

Further Reporting

12.12 That this report is forwarded to the Audit Committee for its consideration.

13 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)	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	Ensure residents have confidence in the Council Provide good value, high performing services

14 Document Information

Appendix No	Title
A	General Fund Summary 2013/2014
B	General Fund Account Outturn 2013/2014
C	HRA Income and Expenditure Account 2013/2014
D	Capital Programme 2013/14 – 2014/15
E	Treasury Management
F	Summary of Financial Balances as at 31 st March 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)	
Held in Accountancy – Room 222	
Report Author	Contact Number
Geoff Bagnall	X2214

Bolsover District Council

Audit Committee

22nd September 2014

Budget Monitoring Report, Quarter 1 – April to June 2014

This report is public

Report of the Executive Director – Operations

Purpose of the Report

- To update Members of the Audit Committee concerning the first quarter budget monitoring report.

1 Report Details

Background

The budget monitoring report in respect of the first three months of the current financial year was provided to Executive at its meeting of 11th August 2014. That Executive report is attached to this covering report for consideration by the Audit Committee.

Also attached to this covering report is the report concerning the Medium Term Financial Plan which was considered by Council at its meeting on 10th September 2014. This report served to update Members of the Council's financial position following on from the completion of the sale of the Sherwood Lodge site to Morrisons.

2 Conclusions and Reasons for Recommendation

2.1 These are set out within the relevant section of the attached report.

Reasons for Recommendation.

2.2 These are set out within the relevant section of the attached report.

3 Consultation and Equality Impact

3.1 These are set out within the relevant section of the attached report.

4 Alternative Options and Reasons for Rejection

4.1 These are set out within the relevant section of the attached report.

5 Implications

5.1 Finance and Risk Implications

These are set out within the relevant section of the attached report.

5.2 Legal Implications including Data Protection

These are set out within the relevant section of the attached report.

5.3 Human Resources Implications

These are set out within the relevant section of the attached report.

6 Recommendations

- 6.1 That the Audit Committee note the Budget Monitoring Report, Quarter 1 – April to June 2014 and make any comments that they believe to be appropriate with regards to the position which was reported to Executive on 11th August 2014.

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	All
Links to Corporate Plan priorities or Policy Framework	All Priorities

8 Document Information

Appendix No	Title
1	Budget Monitoring Report, Quarter 1 – April to June 2014 (Executive 11 th August 2014)
2	Medium Term Financial Plan (Council 10 th September 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)	
Financial Ledger	
Report Author	Contact Number
Executive Director / Chief Accountant	2431/2458

Bolsover District Council

Executive

11 August 2014

Budget Monitoring Report, Quarter 1 – April to June 2014

Report of the Executive Director of Operations

This report is public

Purpose of the Report

- To update the Executive Committee on the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account (HRA), Capital Programme and Treasury Management activity.

1 Report Details

Background information

- 1.1 Officers have continued the integrated approach to budget monitoring in the first quarter with Performance, Risk and Finance being considered together at Directorate meetings held during July 2014. The scope of this report is therefore to report the current financial position following the 2014/15 quarter one monitoring exercise.

General Fund Revenue Account

- 1.2 The General Fund Revenue Account summary is shown as **Appendix 1**. The original budget for 2014/15 identified a savings target of £0.447m. The current budget now shows that this target is reduced to £0.233m which means that the Council has secured budget savings of £0.214m in the first quarter of the year. As the savings are identified and secured they are moved into the relevant cost centres within the main General Fund Directorates. It should be noted that officers are still working on the financial outturn review of 2013/14. Initial workings suggest the savings target of £0.030m is achievable. A list of potential reductions is currently being compiled while will be brought to a future meeting of Executive for consideration and approval. Officers are also reviewing the opportunities to reduce the salary budgets where savings have arisen in the first quarter.
- 1.3 Within the Directorates there is the following to report:
- The Growth Directorate shows a favourable variance of £0.107m. This relates mainly to:
 1. Amounts to be paid to NE for joint officer posts were not received and therefore not paid at the end of the quarter (£0.257m) – favourable.

2. Income received in advance of any expenditure (£0.027m) – favourable.
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.059m) – adverse.
 4. Expenditure was spent but the grant hadn't been received as it is claimed in arrears (£0.125m) – adverse.
- The Operations Directorate shows an adverse variance of £0.056m. This relates mainly to:
 1. Amounts to be paid to NE for joint officer posts and to DCC for trade waste costs were not received and therefore not paid at the end of the quarter (£0.257m) – favourable.
 2. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.263m) – adverse.
 3. Expenditure was spent but the grant hadn't been received as it is claimed in arrears (£0.312m) – adverse.
 4. Under spends due to invoices not yet being due or postings not done until year end (£0.258) – favourable.
 - The Transformation Directorate has an adverse variance of £0.141m. Again, this relates mainly to:
 1. Amounts to be paid to NE for joint officer posts were not received and therefore not paid at the end of the quarter (£0.021m) – favourable.
 2. Income received in advance of any expenditure (£0.032m) – favourable.
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.104m) – adverse.
 4. Expenditure was spent but the grant hadn't been received as it is claimed in arrears (£0.074m) – adverse.
- 1.4 Interest rates are remaining very low which is impacting on the level of interest earned on invested balances. During July in consultation with Treasury Management advisors, officers will look to maximise our cash flow interest by moving towards fixed investments which achieve slightly better interest rates. Such investments will be undertaken in accordance with the Council's Borrowing and Investment Strategy.
- 1.5 Section 106 – In order to improve the monitoring and control of Section 106 monies received by the Council, the sums due to be utilised in a financial year are now recorded within the General Fund directorate budgets and the expenditure against these sums is recorded. The amount budgeted to be spent in 2014/15 is £0.625m. Of this £0.065 must be spent by certain dates before 31st January or the funding may be lost. Officers are working to ensure that all of this spending is undertaken in line with the S106 legal requirements.
- 1.6 The overall position at the end of quarter 1 shows that there is a favourable variance of £0.118m which is very positive and indicates that the Council is in a good position to deliver the necessary savings in order to balance its budget for 2014/15. There are no real budget pressures identified in quarter 1 but officers will continue to monitor the position during the next quarter.

Housing Revenue Account (HRA)

- 1.7 The Housing Revenue Account summary for the first quarter of 2014/15 is set out in **Appendix 2** to this report. At the end of quarter 1 the HRA is showing a net deficit of £0.362m.

Income

- 1.8 The quarter 1 income figures show an adverse variance of £0.463m. This is mainly due to the timing of the rent free weeks falling into the first quarter. The annual budget is profiled to receive 12 weeks in the first quarter when actually only 11 weeks were billed.

Expenditure

- 1.9 Expenditure within all but one of the operating areas of the HRA shows under spends in the first quarter. There are therefore no budget pressures to report at this stage of the year. It is currently anticipated that expenditure will be in line with approved budgets at the year end.
- 1.10 In light of the above and the expenditure patterns to date – as detailed in Appendix 2 – there are no significant issues to report regarding the overall position for the HRA at the end of the first quarter.

Capital Investment Programme

Capital Expenditure

- 1.11 The capital programme summary for the first quarter of 2014/15 is provided in **Appendix 3** to this report. The programme has been updated with the capital budgets – previously approved by Executive - carried forward from 2013/14.
- 1.12 In headline terms the capital programme profiled budget for quarter 1 is £2.841m and the actual spend and known commitments total £1.002m, which is £1.839m behind the planned spend position. The main areas to highlight are listed below:
1. AMP – An amount of £500,000 has been approved subject to Executive approving the detailed plans which will be developed as a result of the analysis of the outcome of the General Fund Stock Condition survey. Officers are in the process of undertaking the work necessary to develop a detailed programme for consideration by Executive. In the meantime it should, however, be noted that it may be necessary to undertake some smaller projects for either Health and Safety purposes or to protect service delivery. The cost of such smaller projects will not exceed £50,000 and any expenditure undertaken will be reported back to Executive as appropriate.
 2. Bolsover Public Realm + Infrastructure – this is a grant funded scheme which has only recently received final approval. This scheme will soon start to spend.
 3. Bolsover Mini Hub – it is anticipated that this will commence during the second quarter.
 4. Vehicles and Plant – the replacement vehicles are on order in many areas and expenditure is anticipated to take place during the second and third quarter of the financial year.

5. HRA Re Roofing – as with many other HRA property related schemes, spend is delayed until the stock condition survey results are properly analysed as already mentioned.
6. HRA New Build – New Houghton – very little expenditure has been incurred during this quarter. Payments are staged based on the number of properties completed. A large payment is expected to be made to the contractor imminently.

1.13 Whilst there are no significant financial issues to report regarding capital expenditure at the end of the first quarter it must be noted that the delivery of the approved capital programme is behind the profiled position as at quarter 1. Officers will continue to closely monitor the delivery of the Programme.

Capital Resources

1.14 HRA – The Council has sufficient capital resources in place to finance the HRA actual expenditure and commitments at the end of the first quarter.
General Fund – The financing of the General Fund part of the capital programme is in line with the approved financing arrangements.

Treasury Management

1.15 The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's day to day cash balances and the management of its long term debt. All transactions are conducted in accordance with the Council's approved strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.

1.16 The Council approved the 2014/15 Treasury Management Strategy at its meeting in March 2014. **Appendix 4** identifies the Treasury Management activity undertaken during the first quarter of 2014/15.

2 Conclusions and Reasons for Recommendation

2.1 Financial issues and implications are covered in the relevant sections throughout this report. In summary these are:

General Fund

The savings target is now reduced to £0.233m at the end of the first quarter.

The monitoring position shows a small net favourable variance position in the first quarter of £0.150m.

HRA

The HRA is showing a net over spend/ under achievement of income in the first quarter of £0.362m.

Capital Expenditure

There are no significant areas of concern to report regarding the capital programme in the first quarter of 2014/15.

Capital Income

The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the first quarter.

Treasury Management

There are no significant areas of concern to report regarding Treasury Management activities in the first quarter of 2014/15.

3 Consultation and Equality Impact

3.1 There are no equalities issues arising directly out of this report.

4 Alternative Options and Reasons for Rejection

4.1 The Budget Monitoring report for 2014/15 is primarily a factual report which details progress against previously approved budgets. Accordingly there are no alternative options to consider.

5 Implications

5.1 Finance and Risk Implications

The issue of Financial Risks is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. While officers are of the view that these risks are being appropriately managed it needs to be recognised that there may be pressures on all of the Council's main budgets as these have been or are being reduced to minimum levels. These will need to be managed carefully during the course of this financial year if we are to protect the existing levels of financial balances.

5.2 Legal Implications including Data Protection

There are no legal issues arising directly from this report.

5.3 Human Resources Implications

There are no human resource issues arising directly out of this report

6 Recommendations

6.1 That Executive notes the monitoring position of the General Fund at the end of the first quarter as detailed on Appendix 1 (A net favourable variance of £0.118m against the profiled budget) and the key issues highlighted within this report:

- Savings identified and secured in the first quarter amount to £0.214m.
- The updated savings target for the General Fund Revenue Account at the end of the first quarter stands at £0.233m.
- On the basis that current progress is maintained it is anticipated that the Council should secure its savings target in full in respect of the current financial year.

6.2 That Executive notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the first quarter (Appendices 2, 3 and 4).

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)	Yes/No
District Wards Affected	
Links to Corporate Plan priorities or Policy Framework	

8 Document Information

Appendix No	Title
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)	
Attached as appendices 1- 4	
Report Author	Contact Number
Chief Accountant	2458
Executive Director - Operations	2431

Bolsover District Council

Audit Committee

22nd September 2014

Strategic Risk Register

This report is public

Report of the Executive Director - Operations

Purpose of the Report

- To update Members concerning the current position regarding Risk Management and to seek approval for the revised Strategic Risk Register as at 30th June 2014, as part of the suite of Finance, Performance and Risk reports.

1 Report Details

Background

- 1.1. The Council's Strategic Risk Register has been developed by the Risk Management Group to take into account the issues raised within the Master Risk Register which outlines the service or operational risks faced by the Council. The Risk Management Group has also given separate consideration to the Strategic Risks which face the organisation.
- 1.2. In addition to the work undertaken at the Business Risk Group the Council also considers the issue of Risk Management at the Quarterly Directorate meeting. This allows senior managers to have a greater level of input into the shaping of the Strategic Risk Register and into the wider issues of Risk Management. It also allows service Registers to be independently reviewed on a more regular basis than was achieved by periodic review at the Business Risk Group. More recently the Strategic Risk Register was considered as part of a Member Development Day. The Strategic Risk Register is reported on a quarterly basis to both Executive and to the Audit Committee.
- 1.3. In its approach to Risk Management the Council is seeking to secure a number of objectives and to operate in line with recognised best practice. In order to appreciate the importance of Risk Management it is useful to reiterate these objectives:
 - To improve the way in which the Council manages its key risks so as to reduce the likelihood of them happening, and to mitigate their impact or magnitude in those cases where they do materialise. This is a key element in protecting service delivery arrangements, the financial position and the reputation of the Council.

- To strengthen the overall managerial approach of the Council. From a Governance perspective the effective operation of Risk Management is regarded as being a key element of the managerial framework operating within an authority.
- Effective Risk Management is a key component in ensuring that organisations are able to achieve their objectives, and that key projects proceed in line with plan.
- The identification of the risks attached to existing service delivery, or to a project or new initiative is important both to allow a fully informed decision to be made, and to ensure that all appropriate measures to mitigate (or reduce) the risk are in place from the outset.
- Finally, an appreciation of the risk environment within which the Council operates assists in determining an appropriate level of financial reserves for sound financial management, and ensures that the organisation has a better awareness of its overall risk exposure.

2. The Strategic Risk Register

- 2.1. The revised Strategic Risk Register as at 30th June 2014 is set out in **Appendix 1** for consideration by the Audit Committee. The intention is that this review of the Register will secure the following objectives:
- Identify any newly emerging risks which need to be added to the Register and removing any risks that have been resolved. An ongoing review of the Strategic Risk Register ensures that a focus is maintained on current risks.
 - Revising the Risk Register ensures that existing risks are reviewed, that appropriate mitigation remains in place, and where necessary risk assessment is revisited.
 - The process also allows appropriate consideration to be given to the success of existing mitigation, and to the issue of whether any further mitigation is required.
 - The Strategic Risk Register as set out in **Appendix 1** is structured so that those risks with the highest risk score are detailed first.
- 2.2. In overall terms a key element which emerges from the Strategic Risk Register is one of an ongoing requirement to maintain our current performance in respect of service delivery, performance and governance to local residents. The current position, however, needs to be maintained at a time when it will be increasingly necessary to manage the Council's finances in a more pro active way in order to ensure that our expenditure remains in line with the level of our resources at a time of declining financial support from central government. This is likely to entail some significant changes in the manner in which our services to local residents are delivered with the level of change required clearly having the potential to disrupt service provision with the associated risks that such disruption entails.

- 2.3. In order to develop the understanding of risk throughout the organisations a series of training sessions for senior managers has been held over the past month. These training sessions included a significant element dealing with risk management.

2 Conclusions and Reasons for Recommendation

- 2.1 The Strategic Risk Register is intended to highlight those areas where the Council needs to manage its risks effectively. One of the key purposes of this report is to set out the risks that have been identified (see Appendix 1) and to encourage both Members and Officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers actively cover all of the issues facing the Council.

Reasons for Recommendation.

- 2.2 To enable Audit Committee to consider the risks identified within the Strategic Risk Register in order to assist in maintaining effective governance arrangements, service and financial performance.

3 Consultation and Equality Impact

Consultation

- 3.1 There are no issues arising from this report which necessitate a formal consultation process.

Equalities

- 3.2 There are no equalities issues arising directly out of this report.

4 Alternative Options and Reasons for Rejection

- 4.1 Under the relevant good practice and to facilitate the development of robust managerial arrangements the Council is required to prepare a Strategic Risk Register as part of its risk management framework and to manage its Partnership arrangements effectively. This report is in part intended for Members and Officers to consider whether the Council has adopted an appropriate approach to its management of risk and partnerships. It is part of a well established framework of debate within the Council and with external partners with options in respect of both the risks identified and the management processes considered as part of that ongoing debate.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no additional financial implications arising out of this report at this stage. While where appropriate additional mitigation measures have been identified and implemented during the course of preparing the Strategic and

Operational Risk Registers, the cost of implementing this mitigation will be met from within previously agreed budgets.

Risk

Risk Management Issues are covered throughout the body of the main report.

5.2 Legal Implications including Data Protection

There are no legal or data protection issues arising directly out of this report.

5.3 Human Resources Implications

There are no human resource issues arising directly out of this report.

6 Recommendations

- 6.1 That Executive approves the Strategic Risk Register as at 30th June 2014 as set out in Appendix 1 to this report and request that an updated Register as at 31st September 2014 be brought back to a subsequent meeting of Executive for approval.

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	All.
Links to Corporate Plan priorities or Policy Framework	Robust Governance (including Risk Management) arrangements underpin the effective operation of the Council and its ability to secure all of the Corporate Plan priorities.

8 Document Information

Appendix No	Title
1	Strategic Risk Register as at 30 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)	
Master Risk Register	
Report Author	Contact Number
Executive Director – Operations	2431

STRATEGIC RISK REGISTER SUMMARY AS AT: 30th June 2014

	Risk	Consequences	Risk Score (Likelihood Impact) x	Risk Score (Likelihood Impact) Taking into Account Current Controls x	Risk Owner / Lead Officer
1	Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are at relatively low levels.	<ul style="list-style-type: none"> Impact upon ability to deliver current level of services. Unable to resource acceptable levels of service. Significant adverse reputational Impact. 	4,4 16	3,4 12	SAMT / Chief Financial Officer
2	Adverse external economic position / government legislation, welfare reform etc. has an accelerating impact on Council (poor grant settlement), or upon the local economy (employment losses / welfare reform), to which Council is unable to adopt an appropriate change of Strategic direction.	<ul style="list-style-type: none"> Unable to deliver a package of services that meet changing local needs and aspirations. Unable to effectively support local communities. Increased demands on Council services at a time when Council resource base is reducing. 	4,4, 16	3,4 12	SAMT / Political Leadership
3	Financial position makes it increasingly difficult to recruit to	<ul style="list-style-type: none"> Deterioration in services to the public. 	4,4 16	3,4 12	SAMT / Asst Director HR

	Risk	Consequences	Risk Score (Likelihood Impact)	Risk Score (Likelihood Impact) Taking into Account Current Controls	Risk Owner / Lead Officer
	key posts or to replace key staff who leave, or workforce moral is adversely affected by as a result of pace of change, tightening financial circumstances or external circumstances	<ul style="list-style-type: none"> • Increasing inefficiencies in service provision. • Weakening of Internal Control arrangements. • Increased pressure on other members of staff. 			

	Risk	Consequences	Risk Score (Likelihood Impact) x	Risk Score (Likelihood Impact) Taking into Account Current Controls x	Risk Owner / Lead Officer
4	Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives inc Regeneration Initiatives, HRA reform, Asset Management securing major financial savings and implementing a range of new government reforms whilst maintaining service quality, which may overstretch our reduced organisational capacity.	<ul style="list-style-type: none"> • New initiatives are not delivered in a cost-effective manner. • Failure to maintain / improve services in line with local aspirations. • Failure to generate the savings required to balance the budget. • Financial efficiencies weaken Governance / Internal Control arrangements. • Service deterioration / failure arising from capacity issues. 	4,4 16	3,4 12	SAMT / Chief Executive
5	Emergency Planning and Business	<ul style="list-style-type: none"> • Inability of Council to provide services as a consequence of a 	3,5 15	2,5 10	SAMT / Director of Health and Well

	Risk	Consequences	Risk Score (Likelihood Impact) x	Risk Score (Likelihood Impact) Taking into Account Current Controls x	Risk Owner / Lead Officer
	Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc.	<p>severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire).</p> <ul style="list-style-type: none"> • Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. • Business Continuity Plans prove ineffective in practice. 			Being
6	Failure to realise the opportunities presented by the Strategic Alliance / Joint Working.	<ul style="list-style-type: none"> • Deterioration in service quality / performance. • Failure to achieve required MTFP savings. • Deterioration in quality of governance and internal control arrangements. 	4,4 16	3,3 9	SAMT / Political Leadership
7	Lack of strategic direction from Members / Corporate Management, external partners change Strategic direction.	<ul style="list-style-type: none"> • Failure to deliver high quality services which address national and local priorities. • Deterioration in Governance Arrangements. • Refocus of current services necessary with associated disruption. 	3,4 12	3,3 9	Chief Executive / Political Leadership Team
8	A major operational or failure of data protection risk materialises	<ul style="list-style-type: none"> • Deterioration in services to the public, potentially a major initial impact upon a local resident or a 	3,4 12	2,4 8	SAMT / Assistant Directors

	Risk	Consequences	Risk Score (Likelihood Impact) x	Risk Score (Likelihood Impact) x Taking into Account Current Controls	Risk Owner / Lead Officer
	resulting in a significant impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date this is considered to be an increasing issue for the Council.	<p>group of local residents.</p> <ul style="list-style-type: none"> • Significant staff and financial resources required to resolve position, impacting on other services. • A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery. 			
9	Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment.	<ul style="list-style-type: none"> • Adverse Impact upon Service Quality. • Failure to deliver high quality services which address national and local priorities. • Significant adverse reputational impact. 	3,4 12	2,4 8	Chief Financial Officer / Monitoring Officer

18th September 2014



The Arc
High Street
Clowne
Derbyshire
S43 4JY

Dear Sir or Madam

AUDIT COMMITTEE – MONDAY 22ND SEPTEMBER 2014 AT 2PM *(please note the agenda sent to you states Tuesday 22nd September – apologies for this error)*

I refer to your recently circulated agenda for the above meeting and now enclose the following items;

Agenda Item 5 Reports of the External Auditor (KPMG) - Report to those charged with governance (ISA 260) 2013/14. Pages 82 to 106.

Agenda Item 6 Reports of the Executive Director - Operations
Bolsover District Council Statement of Accounts 2013/14. Pages 107 to 210.

Agenda Item 8 Reports of the Executive Director - Operations
Key Issues of Financial Governance. Pages 211 to 217.

Yours faithfully,

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

Chief Executive Officer

To: Chairman & Members of the Audit Committee

ACCESS FOR ALL

If you need help understanding this document or require a larger print on translation, please contact us on the following telephone number:-

 **01246 242528** **Democratic Services**
Minicom: 01246 242450 **Fax: 01246 242423**



Tel 01246 242424 **Fax** 01246 242423 **Minicom** 01246 242450

Email enquiries@bolsover.gov.uk **Web** www.bolsover.gov.uk

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

CUSTOMER
SERVICE
EXCELLENCE



The Government Standard

Bolsover District Council

Audit Committee

22nd September 2014

**Report of those Charged with Governance (Internal Standard of Auditing (ISA260)
2013/2014)**

Report of the Councils External Auditor KPMG

This report is public

Purpose of the Report

- To provide the Audit and Corporate Governance Scrutiny Committee with a copy of the ISA260 report provided by our external auditors KPMG in respect of 2013/2014.
- To secure the approval of the Audit Committee to the Letter of Representation provided by the Council to KPMG our external auditors.

1 Report Details

- 1.1 The report to those charged with Governance (ISA 260) 2013/14 which is attached as **Appendix 1** summarises the findings of KPMG the Council's External Auditors in respect of their 2013/14 audit.
- 1.2 The Committee are requested to note and consider **Appendix 2** in particular, which sets out the Management Representation letter which the Chair of this Committee and the Chief Financial Officer will be required to sign on behalf of the Council.

2 Conclusions and Reasons for Recommendation

- 2.1 This report is presented to the Audit Committee as part of the process of agreeing the Councils Statement of Accounts in respect of the 2013/2014 financial year.

3 Consultation and Equality Impact

- 3.1 There are no consultation and equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 The process set out within this report is prescribed by statutory requirement and recognised good practice. Accordingly, there are no alternative options for consideration.

5 Implications

5.1 Finance and Risk Implications

These are set out in Appendix 1 to the report.

5.2 Legal Implications including Data Protection

The process is being undertaken in accordance with the requirements of the Accounts and Audit Regulations 2011.

5.3 Human Resources Implications

There are no Human Resource implications arising directly from this report.

6 Recommendations

- 6.1 That the Audit Committee gives its consideration to the attached report from KPMG the Councils external auditors.
- 6.2 That the Audit Committee approve the Letter of Representation attached as Appendix 2 and authorise the Chair of this Committee and the Chief Financial Officer to sign the letter 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

8 Document Information

Appendix No	Title
1	Report of those Charged with Governance (International Standard of Auditing (ISA260) 2013/2014)
2	Management Representation Letter
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)	
Report Author	Contact Number
Director of Operations (Chief Financial Officer)	01246 242431



cutting through complexity™

Report to those charged with governance (ISA 260) 2013/14

Bolsover District Council

September 2014





Contents

The contacts at KPMG in connection with this report are:

Sue Sunderland

Director

KPMG LLP (UK)

Tel: + 44 0115 945 4490

Sue.Sunderland@kpmg.co.uk

Lee Towers

Manager

KPMG LLP (UK)

Tel: +44 0115 935 3428

Lee.Towers@kpmg.co.uk

Kay Meats

Assistant Manager

KPMG LLP (UK)

Tel: + 44 0115 945 4485

kay.meats@kpmg.co.uk

Report sections

	Page
■ Introduction	2
■ Headlines	3
■ Financial statements	5
■ VFM conclusion	10

Appendices

1. Key issues and recommendations	13
2. Declaration of independence and objectivity	14

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Sue Sunderland, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.



Section one Introduction

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Bolsover District Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in April 2014, set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during April 2014 (interim audit) and August / September 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section four outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.



Section two Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund. We have raised recommendations arising from our work in Appendix 1.
Accounts production and audit process	The Authority has good processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. We have worked with Officers throughout the year to discuss the specific risk areas for this year's audit. The Authority addressed the issues appropriately.
Control environment	The Authority's organisational control environment is generally effective overall but we note that Internal Audit's recent review of contract procurement arrangements whilst identifying improvements in control also identified ongoing weaknesses that need to be addressed.
Completion	At the date of this report our audit of the financial statements is substantially complete. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.



Section three Proposed opinion and audit differences

We have identified no issues in the course of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by Members on 18 September 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements. We identified a small number of issues that have been adjusted by management. We also agreed that you should include a non adjusting post balance sheet event note to recognise the completion of the sale of the Sherwood Lodge site in August 2014.

In common with many local authorities, the Authority has put through a prior year adjustment to reflect changes in the international accounting standard IAS19 Employee Benefits. Strict application of accounting standards say that a prior year adjustment should only be made if there is a change in accounting policy or results in material amendments. The amendment is not material and is not a change in the Authority's accounting policy, and therefore the amendment should not have been made. As the amendment is not material, we have not sought amendment to the accounts. We have accepted the Authority's explanation that it chose to make the amendment in order that users of the accounts are aware of what had changed from previous year.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.



Section three Key financial statements audit risks


We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2013/14*, presented to you in April 2014, we identified the key risk affecting the Authority's 2013/14 financial statements. We have now completed our testing of this area and set out our evaluation following our substantive work.

The table below sets out our detailed findings for the risk that is specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.


Key audit risk	Issue	Findings
	<p>During the year, the Local Government Pension Scheme for Derbyshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Derbyshire County Council who administer the Pension Fund.</p>	<p>As part of our audit, we agreed the data provided to the actuary back to the systems and reports from which it was derived, and tested the accuracy of this data.</p> <p>We liaised with the separate KPMG audit team for the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf.</p> <p>There are no issues to report.</p>



Section three

Key financial statements audit risks

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
	Our 2012/13 ISA 260 Governance report included a recommendation following the detection by management of material misclassification errors in the accounts. Management agreed to set up validation checks to detect such errors. Failure to implement this additional control could result in additional audit work being required at an additional audit fee.	We reviewed the implementation of validation checks and confirmed these were operating effectively at the year end.



Section three Accounts production and audit process

We have noted that quality of the accounts and the supporting working papers remain at a good standard.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented one of the two recommendations in our ISA 260 Report 2012/13.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>The Authority has continued to provide accounts which are of a good standard and which are supported by good quality working papers.</p> <p>The Authority can secure improvements to its accounting practices by adopting a more thorough and robust approach to the calculation of the business rate appeal provision. More detail can be found in the recommendation at Appendix 1.</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts on 30 June 2014.</p>
Quality of supporting working papers	<p>Our <i>Accounts Audit Protocol</i>, which we issued on 3 March 2014 and discussed with Chief Accountant, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided was good and met the standards specified in our <i>Accounts Audit Protocol</i>.</p>
Response to audit queries	<p>Officers resolved audit queries in a reasonable time.</p>

Other specific issues

NNDR additional work

On 1 April 2013 a new system of business rate retention began. Some of the national guidance relating to the changed requirements was late in being issued.

This meant that the new national arrangements and associated pooling arrangements presented new accounting challenge for all councils this year and brought a risk that NNDR income and associated accounting entries may be misstated.

We reviewed the Authority's accounting treatment for business rates and found this to be in line with CIPFA guidance.

This work was additional to our original audit plan but is common issue across all local authorities. We are currently in discussion with the Audit Commission about how this additional work is to be funded but may result in a small additional audit fee.

Prior year recommendations

As part of our audit we have reviewed last years ISA 260 report. There were two specific recommendations that required follow up this year. The recommendation in respect of improving the operation of management review procedures has been implemented.

The recommendation in respect of contract arrangements is considered in more detail on page 12.



Section three Control environment

The Authority's organisation and control environment is generally effective.

During March 2014 we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational and IT control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We have assessed your IT environment for our own purposes and we have no issues to report.

Working with Internal Audit

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

We have reviewed internal audit's reports throughout the year to inform ourselves of any significant risks in relation to our opinion work. However, there have been no specific instances during the course of the year where we have sought to rely on the work of internal audit.

Controls over key systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on the work of your internal auditors, and our own work on controls over the year end process, the controls over the financial systems are generally sound.

However, a recent draft report by Internal audit on contract arrangements concludes that whilst improvements in control continue they have also identified ongoing weaknesses which still need to be addressed.



Section three Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Bolsover District Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Bolsover District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Section 151 Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

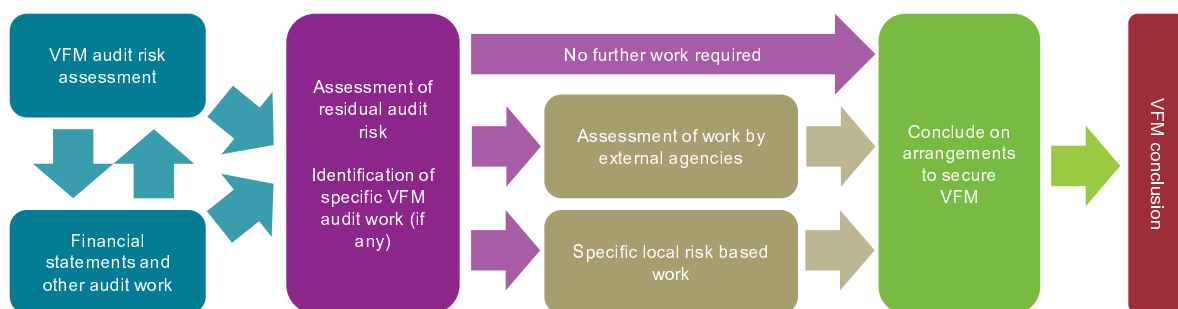
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

The following page includes further details of our risk assessment..

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



We have identified a single specific VFM risk.

We are satisfied that internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to this risk area is adequate.

Work completed

In line with the risk-based approach set out on the previous page, and in our Audit Plan we have

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit; and

- considered the results of relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas.

Key findings


Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority in relation to these risk areas.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>As at February 2014, the Authority was forecasting that it would deliver £0.884m of planned savings and generate a £0.248m surplus at the end of 2013/14.</p> <p>Looking ahead, the Authority's Medium Term Financial Plan 2014/15 to 2016/17 (MTFP) published in February 2014 includes a balanced budget for 2014/15. This assumes the Authority will identify, implement and deliver savings proposals totaling £0.447m.</p> <p>There are further substantial savings requirements in the following two financial years rising to £0.973m in 2015/16 and then falling to £0.800m in 2016/17.</p> <p>Against a backlog of reduced funding and continued demand pressures it will become increasingly difficult to deliver savings in a way that secures long term financial and operational sustainability.</p> <p>There is a risk that action taken by the Authority in response to weaknesses is insufficient or not timely.</p> <p>Link to VFM conclusion – this is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>The Authority delivered its planned savings in 2013-14 and as a result, the general fund reserve increased in the year by £0.257m to £1.7m. This represents an improved financial position for the Council. However, the current level of balances needs to be set against the background of ongoing reductions in the level of Government funding. Against this background, it is crucial that the Authority continues to maintain robust budgetary control whilst securing its ongoing savings targets.</p> <p>Looking forward, the current budget for 2014-15 shows the savings target has reduced from £0.447m to £0.233m as a result of securing budget savings of £0.214m in the first quarter of the year. The Authority currently anticipates delivery of the full savings target during 2014-15.</p> <p>The Executive Director – Operations has reported the need to achieve a minimum level of £2.2m of savings over the period of the current Medium term Financial Plan in his update report to the Council on 10 September 2014. The financial position of the Authority therefore remains challenging.</p>

We have identified a single specific VFM risk.

We are satisfied that internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to this risk area is adequate.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>Control weaknesses around governance and management of contracts, particularly in relation to framework contract agreements, present a risk to the Authority's VFM conclusion.</p> <p>The Director of Corporate Resources has agreed to ensure that all recommendations made within the 2012/13 ISA 260 report are fully addressed.</p>	<p>Internal audit are currently completing a follow up audit on procurement practices.</p> <p>In relation to framework contract agreements a small sample have been reviewed and no control weaknesses were identified in respect of these types of contracts.</p> <p>However, in terms of procurement practices as a whole, Internal Audit have initially concluded that whilst there has been an improvement in procurement practices overall, a number of areas have been identified for further improvement.</p> <p>The draft report is still being discussed but the Authority should respond promptly to any internal audit recommendations to deliver further improvements and reduce the level of risk to the Authority.</p> <p>Recommendation Respond promptly to any Internal Audit recommendations to address remaining control weaknesses in this area.</p>



Appendices

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations

<p>1 <i>Priority one:</i> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 <i>Priority two:</i> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 <i>Priority three:</i> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>
--	--	---

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<p>NNDR (Business Rate) Appeals</p> <p>For the first time in 2013/14 the Authority has been required to include a provision in its accounts in respect of business rate appeals. Our work has confirmed that this provision has been calculated appropriately. However, enquiries made of the Authority identified that no consideration had been given to the potential for other ratepayers to lodge an appeal when calculating the likely provision.</p> <p>Recommendation</p> <p>It is recommended that the Authority should assess their ratepayers on an annual basis to consider whether appeals may be made and provide accordingly.</p>	<p>The recommendation is accepted and the Chief Accountant will ensure that in future financial years the provision taken within the Statement of Accounts is agreed in the light of formal consideration of the potential for other ratepayers to lodge an appeal. Officers have reviewed the position adopted in respect of the 2013/14 accounts in the light of this consideration and do not consider that the provision would have been materially different if this approach had been adopted in the calculation of the provision. It should be noted that a number of other authorities adopted a similar approach in the first year of the new system which in Management's view reflected a lack of clarity in the guidance issued by national bodies.</p>
2	2	<p>Contract arrangements</p> <p>Internal Audit's recent review confirms that progress continues to be made in improving contract procurement arrangements. However, weaknesses continue to be identified and ongoing action is required.</p> <p>Recommendation</p> <p>Respond promptly to any Internal Audit recommendations to address remaining control weaknesses in this area.</p>	<p>The Council has continued to work to ensure appropriate contract arrangements are in place. In particular we have ensure that appropriate expertise is available by entering into new shared service arrangements from April 2014 for procurement. All senior managers have been required to attend a training session including a significant element covering procurement. An additional emphasis will be placed upon procurement issues at the Quarterly Finance, Risk and Performance meetings. All internal audit recommendations will be implemented.</p>



Appendices

Appendix 2: Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the Code of Audit Practice (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing Guidance for Local Government Auditors ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.



Appendices

Appendix 2: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Bolsover District Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Bolsover District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.



cutting through complexity™

© 2014 KPMG LLP, a UK public limited partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).

Mrs S Sunderland
KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Your Ref:
Our Ref: BM/JMT
Contact: Mr Bryan Mason
Tel: 01246 217154
Fax:
E-mail: Byan.mason@ne-derbyshire.gov.uk
Date: 22 September 2014

Dear Mrs Sunderland

This representation letter is provided in connection with your audit of the financial statements of Bolsover District Council (“the Authority”) for the year ended 31 March 2014, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority’ expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

These financial statements comprise the Movement in Reserves Statements, the Comprehensive Income and Expenditure Statements, the Balance Sheets, the Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself that:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority’s expenditure and income for the year then ended; and
 - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable [ISA (UK&I) 540.22]
3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed. [ISA (UK&I) 560.9]
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. [ISA (UK&I) 450.14]

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

a) all significant retirement benefits, including any arrangements that are:

- statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,

have been identified and properly accounted for; and

b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 22nd September 2014.

Yours faithfully

Chair of the Audit Committee

Chief Financial Officer

Appendix to the Representation Letter of Bolsover District Council: Definitions

Financial Statements

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.”.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity’s assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and

- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Bolsover District Council

Audit Committee

22nd September 2014

Bolsover District Council – Statement of Accounts 2013/14

Report of the Executive Director - Operations

This report is public.

Purpose of the Report

The Committee is asked to approve the audited Statement of Accounts for 2013/14, as attached to this report.

1 Report Details

- 1.1 The outturn position for the Council's Accounts has previously been reported to the Council's Executive and is presented as Agenda Item 9 elsewhere on this agenda. The work undertaken by the External Audit team on the accounts does not require the Council to make any amendments in respect of the overall outturn position on the General Fund Revenue Account, Housing Revenue Account or on the Capital Programme. The outcomes of the external audit work are set out in the External Auditors report which also constitutes an item elsewhere on this agenda (Item 5).
- 1.2 Attached as **Appendix 6(1)** to this report is the Council's Audited Statement of Accounts in respect of 2013/14. There may be some minor changes still requested by the External Auditors – which if required will be reported verbally at the Committee. However, it is anticipated that there will be very limited changes between the version attached and the final recommended Statement of Accounts for 2013/14.
- 1.4 Given the possibility that issues raised either at today's meeting or subsequently may require the Statement of Accounts to be amended it is recommended that delegated powers be given to the Chief Financial Officer in consultation with the Chair or Deputy Chair of this Committee to agree any final changes to the Council's Statement of Accounts 2013/14. It should be noted that the only changes that will be made under these delegated powers will relate to amendments agreed with the Council's external auditors KPMG.

2 Conclusions and Reasons for Recommendation

- 2.1 The external audit process in respect of 2013/14 has now been concluded and the accounts as amended have been given an unqualified audit opinion. The outcome of this review is summarised in the External Auditors report to those charged with governance which appears elsewhere on this agenda.

3 Consultation and Equality Impact

3.1 There are no consultation and equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

4.1 There are no alternative options for consideration.

5 Implications

5.1 Finance and Risk Implications

There are no additional financial implications arising from this report.

5.2 Legal Implications including Data Protection

5.2.1 The process has been undertaken in accordance with the requirements of the Accounts and Audit Regulations 2011. It should be noted that the Council is required to complete and approve the audited Statement of Accounts by the end of September.

5.3 Human Resources Implications

5.3.1 There are no Human Resource implications arising from this report.

6 Recommendations

6.1 That the Audit Committee approve the audited Statement of Accounts in respect of 2013/14.

6.2 That delegated powers are granted to the Chief Financial Officer in consultation with the Chair or Deputy Chair of the 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 September 2014.

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.

8 Document Information

Appendix No	Title
1	Bolsover District Council – Statement of Accounts 2013/14
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)	
Report Author	Contact Number
Executive Director - Operations	(01246) 242431

The Statement of Accounts Document is too large a file to upload to Eagendas. If any officer or member of the public wishes to view the document they are requested to ring 01246 242528 for an electronic copy.

Bolsover District Council

AUDIT COMMITTEE

22nd September 2014

KEY ISSUES OF FINANCIAL GOVERNANCE

Report of the Executive Director - Operations

Purpose of the Report

- The purpose of the Key Issues of Financial Governance report is to track progress concerning the implementation of previous recommendations from both External and Internal Audit and to inform the Audit Committee of progress in addressing those recommendations. It constitutes a standing item on all agendas of the Audit Committee.

1 Report Details

1.1 This report seeks to update Members of the Audit Committee concerning the main issues of financial governance where further progress or ongoing monitoring is required. In particular the report outlines issues raised by both External and Internal Audit in order to monitor progress in resolving these issues and to evaluate the overall progress of the Council's financial governance arrangements. Given that reports elsewhere on the Agenda include the report from the external auditor (KPMG) concerning the 2013/14 Financial Statements and related issues, together with an update report from Internal Audit concerning progress on the Internal Audit Plan the outcome of those reports is reflected within this report. The Key Issues of Financial Governance are set out in Appendix 1 which in the view of the Chief Financial Officer constitute the main Strategic Issues of Financial Governance currently facing the Council.

1.2 The Strategic Issues which are outlined below are consistent with the conclusions of the External Auditors (KPMG) report on the outcome of the 2013/14 Audit. The key messages from that report are as follows:

- While the auditors have identified some issues where they have made adverse comment these are relatively minor. In overall terms the Council has continued to make further progress in its accounting arrangements which consolidates and builds upon the improvements secured in the 2012/13 final accounts. The issues raised by External Audit in respect of the Accounts cover the methodology adopted in the calculation of the provision for NNDR (Business Rate) appeals. Officers have accepted the recommendation made which will be applied with respect to the 2014/15 financial statements. The second comment covered the interpretation of IAS 19 on employee benefits. In both cases our interpretation and approach was in line with that adopted by a number of local authorities and while we accept the validity of the Auditors recommendations the approach adopted whilst not in line with best

practice was not an unreasonable one. It should be noted that the one recommendation made in respect of the previous year has been effectively implemented in respect of the 2013/14 Statement of Accounts.

- The Council needs to continue with its programme of work in respect of the management of contracts to ensure that all outstanding issues are satisfactorily resolved. The recent Internal Audit report in respect of Procurement evaluated the internal controls which were operating in this area as being marginal. Appendix 1 to this report outlines the steps that are being taken by Management in response to the issues that have been identified.
- The Annual Governance Statement for 2013/14 outlined the progress that has been made in respect of improving the Council's internal Control arrangements as evidence by the reduction in the number of critical Internal Audit reports from 13 in 2012/13 to a figure of 3 in 2013/14. The report from the Head of the Internal Audit Consortium which appears elsewhere on this agenda identifies that in the current financial year one of six areas reviewed has fallen into the marginal category. It is a key priority of the Council that we consolidate and to build upon the improvements that have been secured.
- Whilst the Council has maintaining good progress in protecting its financial resilience it needs to move to address the identified financial shortfalls in respect of 2014/15 onwards. The External Auditors report concludes that:

“Against a background of reduced funding and continued demand pressures it will become increasingly difficult to deliver savings in a way that secures long term financial and operational sustainability.”

- Within the report of the Head of the Internal Service provided elsewhere on this agenda it is noted that the progress made against the agreed Audit Plan in the first half of the year has been slower than originally envisaged. While Internal Audit are working to bring the delivery of the Audit Plan back into line before the end of the financial year Officers will continue to monitor the position to ensure the effective delivery of the agreed Plan.

The issues identified above are all incorporated within the Action Plan set out in Appendix 1.

- 1.3 With regard to the Strategic Issues that have been agreed these are summarised in the table below which provides an outline of the issues together with an update of the current position. Given that these are Strategic Issues the responsibility for addressing them rests with the Chief Financial Officer together with the wider management team. Resolution of the issues is also dependent upon the active support of Elected Members. The role adopted by the Audit Committee has been one of monitoring and evaluating progress and where appropriate requiring and supporting further action from officers.
- 1.4 While there remain significant issues to address there is a clear trend of improvement. It is, however, important that the Council continues with measures that consolidate this improvement, ensure it is sustainable and addresses any outstanding issues.

1.5. In the light of the outcome of the 2013/14 yearend report provided by KPMG together with the Council's own improvement plans there are a range of measures in place which are designed to address the issues of financial governance faced by the Council. These may be summarised as follows:

- A training programme is in the process of being concluded for all cost centre managers which covers a range of core competencies such as financial management, risk, performance, procurement, etc. In addition, the quarterly performance and finance meetings are now well established and provide an important opportunity to ensure that best practice is in operation across the full range of Council activities.
- Our procurement arrangements have been revised and we have secured appropriately qualified and experienced support from Chesterfield Royal Hospital Trust.
- The capacity and resilience of the Accountancy team is being enhanced by ensuring appropriate training arrangements are in place.
- The Accountancy team will continue to work with cost centre managers in order to secure further improvements in accounting / financial management arrangements. The Chief Financial Officer will seek to ensure that the Quarterly Finance, Performance and Risk meetings place an increased emphasis on the measures necessary to improve our financial governance arrangements.
- The work of Internal Audit has been incorporated into the existing Quarterly Performance and Financial management framework to ensure that recommendations are fully implemented and that the profile of the importance of internal control is raised within the Council. This will both help secure the improvements in internal control required by the Council whilst helping ensure Internal Audit remain fully compliant with the new United Kingdom Public Sector Internal Audit Standards.
- Finally, we will continue to monitor the position with respect to the delivery of the Internal Audit Plan.

Future Key Issues of Financial Governance reports will update the Audit Committee in respect of progress against the actions detailed above.

1.6 The revised Strategic Key Issues of Financial Governance are set out in Appendix 1 which is provided below.

2 Conclusions and Reasons for Recommendation

Conclusions

2.1 The report is intended to provide information to allow the Audit Committee to consider the progress that has been secured in improving the Council's financial governance arrangements. While the evidence provided within the report indicates that the Council's financial governance arrangements are continuing to improve it is important that this progress is maintained and outstanding issues are resolved.

Reasons for Recommendations.

- 2.2 To allow the Audit Committee to undertake its function of undertaking an ongoing independent review of the Council's financial governance arrangements.

3 Consultation and Equality Impact

Consultation.

- 3.1 There are no issues arising from this report which necessitate a detailed consultation process.

Equalities.

- 3.2 This report does not have any direct implications for Equalities issues.

4 Alternative Options and Reasons for Rejection

- 4.1. Given that the Council has a clear commitment to improving its financial governance arrangements it is appropriate that a formal reporting mechanism is in place to the Audit Committee. This approach is in line with good professional practice and accordingly other options have not been actively considered. While there are options as to the format of this report the current format has been brought before the Audit Committee for a period in excess of two years and has been amended to reflect the views of the Committee. Over this period there has been a systematic improvement in the Council's Financial Governance arrangements which indicate that the approach adopted has assisted in securing the necessary outcomes.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no additional financial implications for the Council as a result of this report.

Risk

This report is intended to assist in ensuring that the Council has robust financial governance arrangements in place. As such it is a key mitigation against any failure or weakening in these arrangements which would have a significant impact upon both the Council's financial performance and its service delivery 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

There are no Human Resources issues arising directly out of this report.

6 Recommendations

- 6.1. It is recommended that Audit Committee considers whether the Strategic Issues of Financial Governance as set out in the report reflect the key issues facing the Council, and raises any issues of concern which it may have with progress to date.

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	Robust financial Governance arrangements underpin the effective operation of the Council and its ability to secure the full range of Corporate Plan Priorities.

8 Document Information

Appendix No	Title
N/A	
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)	
External Audit Reports :	
KPMG “Annual Audit Letter 2012/13 (Council 27 th November 2013)	
“Report to those Charged with Governance 2013/14 ISA 260” (Audit Committee 22 nd September 2014).	
Internal Audit Consortium:	
“Summary of Progress on the Internal Audit Plan 2014/15” (Audit Committee 22 nd September 2014).	
Report Author	Contact Number
Executive Director – Operations (Chief Financial Officer)	2431

APPENDIX 1

Issue Raised	Progress to date including target dates.
<p>1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.</p>	<p>The Council has achieved its full targeted level of savings of £0.884m in respect of 2013/14. The latest budget figures as set out in the MTFP show a cumulative shortfall of some £2.2m over the period 2014/15 to 2016/17. Officers are currently working on plans to address the shortfall of £0.447m in respect of the current financial year and are of the view that a balanced budget will be secured by the end of the year. It is important, however, that the Council continues to progress its growth and transformation strategies to enable it to address the identified shortfall of some £2.2m over the period of the current MTFP. The Council has secured the capital receipt in respect of the sale of Sherwood Lodge and is making good progress in securing long term tenants for the Arc, both of which are critical projects to secure long term financial sustainability.</p>
<p>2. To secure further improvements in financial reporting with respect to the Council's published accounts and in the Council's financial management arrangements.</p>	<p>The Council has continued to improve the quality of its financial accounts as demonstrated by the External Audit reports in respect of both 2012/13 and 2013/14. The improvements secured to date provide a firm foundation for consolidation of progress. The Accountancy Team is well established and is well placed to secure further improvements especially in respect of work with service managers to deliver the improved financial management required against the increasingly challenging financial position facing local authorities. Appropriate training programmes are in place for all members of the team.</p>
<p>3. To improve the Council's Internal Control arrangements, and to strengthen the culture of effective management and budgetary control across the authority.</p>	<p>This Key Issues of Financial Governance report, together with reports from Internal and External Audit should enable the Audit Committee to monitor the progress that is being made in respect of securing improvements in our internal control arrangements. Internal Audit have undertaken a more prominent role in the Council's Performance Management arrangements since April 2013.</p> <p>A comprehensive training programme is being delivered to all cost centre managers during the summer of 2014, and measures will be taken to strengthen the communications around the importance of internal control and the Council's wider financial position.</p> <p>We will monitor the position with respect to the managerial arrangements operating within Internal Audit and will work to ensure that the agreed Audit Plan is delivered by the year end. The reduction in the number of Internal Audit reports where areas have been assessed as marginal between 2012/13 and 2013/14 supports the view that the internal control environment is improving.</p>

<p>4. To ensure that issues around the Council's contractual arrangements are resolved and that good quality arrangements remain in place.</p>	<p>The recent review by Internal Audit has concluded that managerial arrangements in this area whilst improved remain marginal. A number of measures have been put in place in order to secure further improvement which can be summarised as follows:</p> <ul style="list-style-type: none"> • A training programme including a significant element concerning procurement contracts is in the final stages of being delivered. • The Council has entered into a shared service arrangement with Chesterfield Royal Hospital in order to secure access to specialist procurement advice. • All recommendations made in the Internal Audit report will be implemented. • There will be an increased emphasis on Procurement issues as part of the Quarterly Finance, Risk and Performance meetings.
--	---