

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Chamber Suite 1, The Arc, Clowne, on Monday 22nd September 2014 at 1000 hours.

PRESENT:-

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

Cooptee Member: - J. Yates.

Officers: - B. Mason (Executive Director - Operations), S. Sunderland (Audit Team Lead, KPMG), J. Williams (Interim Head of Internal Audit Consortium), D. Clarke (Assistant Director Finance, Revenues and Benefits), T. Fletcher (Chief Accountant) and A. Bluff (Governance Officer).

J. Yates in the Chair

0346. APOLOGIES

Apologies for absence were received from Councillors J.E. Clifton, E. Watts and L. Towers (Audit Manager, KPMG).

0347. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

0348. DECLARATIONS OF INTEREST

There were no declarations of interest.

0349. MINUTES – 23RD JUNE 2014-10-31

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

RESOLVED that the minutes of an Audit Committee meeting held on 23rd June 2014 be approved as a correct record.

0350. REPORTS OF THE EXTERNAL AUDITOR (KPMG) REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2013/14

Committee considered a report of the External Auditor (KPMG) regarding the Councils financial statements for the year ended 31st March 2014.

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Sue Sunderland, Audit Team Lead, KPMG, stated that the report was a good report and the audit of the financial statements had not identified any material adjustments. The Authority had good processes in place for the production of the accounts and good quality supporting working papers. Officers had also dealt efficiently with audit queries and the audit process had been completed within the planned timescales.

The Authority's organisational control environment was generally effective overall but it was noted that Internal Audit's recent review of contract procurement arrangements, whilst identifying improvements in control, also identified ongoing weaknesses that needed to be addressed.

The Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified audit opinion on the Authority's financial statements would be issued by 30th September 2014.

A discussion took place in relation to contract procurement and a Member felt that 'one man band' businesses could be deterred from tendering for contracts if they found completing complicated submission documentation onerous. The Executive Director – Operations noted that smaller firms may put off from applying to tender but Framework Agreements and similar procedures were a transparent process which reduced the risk of challenge. To encourage local suppliers 'Meet the Buyer' events had been held in the past to demonstrate what was expected from organisations who were seeking public sector contracts. Contracts were routinely advertised on Source Derbyshire. While these initiatives were popular and well received there had been very little take up from 'one man bands' or local suppliers.

Members agreed that standard and quality of work was as important as cost. The Executive Director – Operations commented that the Authority had the option to cancel a contract if the supplier did not meet the required standards.

Sue Sunderland referred to Savings Plans and noted that the Council still faced significant ongoing challenges; the Council had achieved targets in the past and this needed to continue. Members complimented staff regarding this and the effort that had been made. The Chair and Sue Sunderland echoed this comment.

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

RESOLVED that (1) the report from KPMG be received,

(2) the Letter of Representation be approved and signed by the Chair of Audit Committee and the Chief Financial Officer on behalf of the Council.

(Chair of Audit Committee/Chief Financial Officer)

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0351. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS BOLSOVER DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2013/14

Committee's approval was sought for the Council's audited Statement of Accounts in respect of 2013/14, which was attached to the report.

The Executive Director – Operations stated that he wished to thank the finance team for preparing the accounts and the Auditors (KPMG) for the way the audit had been conducted.

The Executive Director - Operations advised the meeting that there may be some minor amendments to the accounts prior to the final sign off of the Statement of Accounts and requested delegated powers are granted to the Chief Financial Officer, in consultation with the Chair or Vice Chair of the Committee, to agree any final changes. Any such changes would only be made with the agreement of KPMG the Council's external auditors.

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

RESOLVED that (1) the audited Statement of Accounts in respect of 2013/14 be approved,

(2) delegated powers be granted to the Chief Financial Officer in consultation with the Chair or Vice Chair of Audit Committee to agree any changes which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council's external auditors KPMG to ensure completion of the Statement of Accounts by 30th September 2014.

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

0352. REPORTS OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT CONSORTIUM – SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN 2014/15

Committee considered a report of the Interim Head of Internal Audit in relation to progress made by the Audit Consortium, during the period 7th June 2014 to 5th September 2014, regarding the 2014/15 Annual Internal Audit Plan.

The report included a summary of Internal Audit Reports issued during the period together with details of work in progress. It was confirmed that there were no issues arising relating to fraud that needed to be brought to the Committee's attention.

In respect of the audit for Section 106 Agreements, the overall opinion was Marginal as the audit had identified the need for a review of the procedures for the recording and monitoring of Section 106 Agreements.

The Executive Director – Operations commented that an officer working group, attended by officers from Planning and Leisure and chaired by the Assistant Director

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of Planning, was now in place and any major concerns regarding Section 106 monies would be flagged up.

With regard to the grass cutting service, it was noted that the service had faced some challenges during the summer months with wet weather during May and sickness absence. In respect of the audit carried out, management had already considered the improvements that could be made to the service.

A discussion took place and whilst expressing concerns Members acknowledged that the grass cutting service was affected by weather conditions.

The report also noted that whilst reasonable progress had been made against the agreed Audit Plan in the first half of the financial year, the number of audits completed had been lower than originally envisaged and it would be necessary to accelerate progress against the Audit Plan during the remainder of the financial year. The position was being carefully monitored to ensure the agreed Audit Plan would be achieved by the year end.

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

0353. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS KEY ISSUES OF FINANCIAL GOVERNANCE

Committee considered a report of the Executive Director – Operations, which provided an update concerning the main issues of financial governance where further progress or ongoing monitoring was required.

In particular, the Key Issues of Financial Governance report reflected the issues and outcomes raised by both external and internal audit in their reports including those concerning the 2013/14 Financial Statements and related issues which appeared elsewhere on the Agenda.

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

- A training programme was in the process of being concluded for all cost centre managers which covered a range of core competencies such as financial management, risk, performance, procurement, etc. In addition, the quarterly performance and finance meetings were now well established and provided an important opportunity to ensure that best practice was in operation across the full range of Council activities.
- Procurement arrangements had been revised and appropriately qualified and experienced support from Chesterfield Royal Hospital Trust had been secured.

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- The capacity and resilience of the Accountancy team was being enhanced by ensuring appropriate training arrangements are in place.
- The Accountancy team would continue to work with cost centre managers in order to secure further improvements in accounting / financial management arrangements. The Chief Financial Officer would seek to ensure that the Quarterly Finance, Performance and Risk meetings placed an increased emphasis on the measures necessary to improve financial governance arrangements.
- The work of Internal Audit had 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 are raised within the Council. This will both help secure the improvements in internal control required by the Council whilst helping ensure Internal Audit remained fully compliant with the new United Kingdom Public Sector Internal Audit Standards.
- Finally, monitoring of the position with respect to the delivery of the Internal Audit Plan would continue.

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

The four Key Issues of Financial Governance were set out in Appendix 1 to the report and in the view of the Chief Financial Officer constituted the main Strategic Issues of Financial Governance currently facing the Council.

A short discussion took place.

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

0354. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS FINANCIAL OUTTURN 2013/14

Committee considered a report of the Executive Director – Operations, which provided an update to Committee concerning the current position in respect of the Financial Outturn for 2013/2014.

The report had been presented to Executive on 14th July 2014 and to Budget Scrutiny on 15th September 2014 for information. The report provided a greater level of detail than was provided within the Statement of Accounts.

The key message from the report was that the Council had achieved its savings target it set out to achieve. A crucial factor was that the Council had £1m of efficiency grant which had been used to fund restructuring costs. Highlights from the report were;

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- The Icelandic Bank issue had been resolved in January 2014 and the Council had secured 95% of its original deposit which was a good outcome.
- The Council had also secured the capital receipt for Sherwood Lodge, so that risk had now been removed.
- The Efficiency Grant had covered the transitional costs of the relocation from Sherwood Lodge to the Arc.
- As Members were aware the Council would no longer be banking with the Cooperative Bank and a report would be presented to the next Council meeting regarding a new Banking contract which had been through the tender process.

Discussion took place in relation to savings targets over the next few years.

The Council was committed to progressing the Growth Agenda and the Council would do as much as it could to raise income.

It was also noted that an Empty Homes Officer had been appointed and it was hoped this would create around £1k per property identified.

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

0355. **REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS BUDGET MONITORING REPORT**

Committee considered a report of the Executive Director – Operations in relation to the first quarter of budget monitoring for the period April 2014 to June 2014. The report had been presented to the Executive on 11th August.

Also attached to the report was a report concerning the Medium Term Financial Plan (MTFP), which had been considered by Council at its meeting on 10th September.

Savings

With regard to the report to Executive in relation to savings, progress had been made in securing agreed targets. The original budget for 2014/15 had identified a savings target of £0.447m. The current budget now showed that this target had been reduced to £0.233m, which meant that the Council had secured budget savings of £0.214m in the first quarter of the year.

As savings were identified and secured they were moved into the relevant cost centres within the main General Fund Directorates. Members were asked to note that officers were still working on the financial outturn review of 2013/14 in order to evaluate the opportunities for savings.

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Initial work suggested that the savings target of £0.030m was achievable. A list of potential reductions was currently being compiled and would be presented to a future meeting of the Executive for consideration and approval. Officers were also reviewing the opportunities to reduce the salary budgets where savings had arisen in the first quarter.

General Fund

With regard to the General Fund, the following points were highlighted;

- Chesterfield College was now staying at the Arc for rest of the current financial year, which provided additional income to that assumed within the original budget.
- At the quarterly Directorate meetings, no Managers had identified any significant budget pressures.

Housing Revenue Account

The Housing Revenue Account (HRA) showed a net deficit of £0.362m at the end of the first quarter.

The quarter 1 income figures showed an adverse variance of £0.463m. This was mainly due to the timing of the rent free weeks falling into the first quarter. The annual budget was profiled to receive 12 weeks in the first quarter when actually only 11 weeks were billed. Expenditure within all but one of the operating areas of the HRA showed under spends in the first quarter. There were, therefore, no budget pressures to report at this stage of the year. It was currently anticipated that expenditure would be in line with approved budgets at the year end.

In light of the above and the expenditure patterns to date, there were no significant issues to report regarding the overall position for the HRA at the end of the first quarter.

Capital Expenditure

Capital Expenditure was considerably below the budget level.

The Capital Programme had been updated with the capital budgets previously approved by Executive carried forward from 2013/14. Officers would be looking at the significant under spend from last year which was also evident in the first quarter.

The report to Council on 10th September 2014 concerning the Medium Term Financial Plan had updated Members on the Council's financial position following the completion of the sale of Sherwood Lodge and the closure of the Council's financial accounts in respect of the previous financial year 2013/14.

While the savings target in respect of the current financial year was now a firm target, those in respect of both 2015/16 and 2016/17 were less certain. A key factor was that following the General Election in May 2015, it was widely expected that any new government would be seeking to secure further significant reductions in the level of public spending.

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The cumulative savings figure of £2m required over the coming years was therefore likely to get worse rather than demonstrating any improvement. The position may be further complicated by the fact that an incoming government may seek to change the distribution of funding between groups of local authorities.

The capital benefits from the sale of Sherwood Lodge was always limited in that the majority of the funding was required to pay for the purchase and refurbishment of the Arc, together with the construction of the mini Hub, which would be the location of the Council's Contact Centre and other services, including the police station. However the receipt would fund a limited amount of other work on the Council's assets.

Following on from the capital receipt from the sale of Sherwood Lodge and the conclusion of the 2013/14 Audit, officers were now in a position to provide indicative figures concerning the level of uncommitted financial resources available to the Council. These showed that the Council had an unallocated Transformation Reserve of some £3.158m together with unallocated capital receipts in the region of £1m. However, the capital receipts could only be used to fund capital expenditure, whereas the Transformation Reserve could be used to fund either revenue or capital expenditure.

Whilst the Council had an overall level of unallocated resources available of some £4m which could be utilised, any decisions would need to be taken in the context of the fact that the Council is facing ongoing reductions in the level of government funding and, therefore, will need to continue to take action to either reduce its underlying level of expenditure or to increase its underlying level of income.

A discussion took place.

Members raised points in relation to the Stock Condition Survey, new build properties, the New Bolsover Project HLF Bid and selling of unviable Council houses.

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

0356. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS STRATEGIC RISK REGISTER

Committee considered a report of the Executive Director – Operations 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.

The Council's Strategic Risk Register had been developed by the Risk Management Group to take into account the issues raised within the Master Risk Register which outlined the service or operational risks faced by the Council. The Risk Management Group had also given separate consideration to the Strategic Risks which face the organisation.

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The revised Strategic Risk Register as at 30th June 2014 was set out in an appendix to the report and was structured so that those risks with the highest risk score were detailed first.

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.

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

A short discussion took place.

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

RESOLVED that (1) the Strategic Risk Register as at 30th June 2014 be approved and an updated Register as at 31st September 2014 be presented to a subsequent meeting of Executive.

(Executive Director – Operations/Governance Manager)

The meeting concluded at 1510 hours.