

## **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 15<sup>th</sup> December 2014 at 1000 hours.

### **PRESENT:-**

Members: - Councillors, J.A. Clifton, S.W. Fritchley and D. McGregor.

Cooptee Member: - J. Yates.

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

J. Yates in the Chair

### **0628. APOLOGIES**

Apologies for absence were received from Councillors A.F. Tomlinson, K. Reid and E. Watts.

### **0629. URGENT ITEMS OF BUSINESS**

There were no urgent items of business to consider.

### **0630. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **0631. MINUTES – 22<sup>ND</sup> SEPTEMBER 2014**

Moved by Councillor D. McGregor, seconded by Councillor S.W. Fritchley  
**RESOLVED** that the minutes of an Audit Committee meeting held on 22<sup>nd</sup> September 2014 be approved as a correct record.

### **0632. REPORTS OF THE COUNCIL'S EXTERNAL AUDITOR, KPMG**

- **5A: ANNUAL AUDIT LETTER**

Sue Sunderland, Audit Team Lead, KPMG, introduced Kay Meats, Audit Manager, KPMG to the meeting and advised Members that Kay would be working alongside Lee Towers as Audit Manager for the Authority. Members welcomed Kay to the meeting and the Council.

## AUDIT COMMITTEE

Members considered the Annual Audit Letter 2013/14 which had been prepared by KPMG.

Sue Sunderland advised the meeting that an additional fee of £900 had been charged to the Authority for additional NNDR testing that had been carried out as part of KPMG's opinion audit as a result of there being no certification of the NNDR3 return. This was in respect of additional work and in line with the fee charged to all authorities.

Moved by Councillor S.W. Fritchley, seconded by Councillor D. McGregor  
**RESOLVED** that the Annual Audit Letter be noted.

- **5B: PROTECTING THE PUBLIC PURSE FRAUD BRIEFING 2014: BOLSOVER DISTRICT COUNCIL – REPORT OF THE AUDIT COMMISSION**

Sue Sunderland advised the meeting that the Audit Commission had produced the document, 'Protecting the Public Purse Fraud Briefing 2014', for all local authorities.

The purpose of the fraud briefing was to provide an information source to support councillors in considering their council's fraud detection activities, also to;

- extend an opportunity for councillors to consider fraud detection performance compared to similar local authorities,
- give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed,
- be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud.

The document contained data from Bolsover's and other neighbouring local authorities' submissions on the Audit Commission's annual fraud and corruption survey for the financial year 2013/14. In some cases, councils reported they had detected fraud but did not report the number of cases and/or the value.

A discussion took place including a range of questions from Members.

Moved by Councillor D. McGregor, seconded by Councillor J. Clifton  
**RESOLVED** that the report be received.

### **0633. REPORTS OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT CONSORTIUM IMPROVEMENT PLAN**

Committee considered a report of the Interim Head of Internal Audit in relation to the results of an internal audit self assessment that had been undertaken to review compliance with the Public Sector Internal Audit Standards (PSIAS) and to identify any areas for improvement.

The checklist recommended for undertaking a self assessment against the PSIAS had been completed and it was considered that the exercise had demonstrated that in the main the Internal Audit Consortium was compliant with the PSIAS.

## AUDIT COMMITTEE

The PSIAS encouraged internal audit to continually look to improve the proficiency, effectiveness and quality of their service and with this in mind an improvement plan had been developed which was shown in Appendix A to the report.

The Interim Head of Internal Audit noted that all actions from the Improvement Plan had been carried out with exception to one which would be carried forward to the next improvement plan. The carry forward item related to the external assessment of internal audit which needs to happen by April 2018.

With regard to the action on the Plan, which suggested increasing the flexibility of audit staff to be able to work at each location to undertake audits at each site, or the same audit across each site to enhance the sharing of knowledge and experience, a Member felt that the current arrangement should stay as it was. He added that he was happy with the work carried out by the audit team and that they were a good team of staff.

Moved by Councillor D. McGregor, seconded by Councillor S.W. Fritchley  
**RESOLVED** that the results of the self-assessment and improvement plan be noted.

### **0634.           REPORTS OF THE INTERNAL AUDIT CONSORTIUM SUMMARY OF PROGRESS ON THE 2014/15 INTERNAL AUDIT PLAN**

Committee considered a report of the Interim Head of Internal Audit in relation to progress made by the Internal Audit Consortium during the period 6<sup>th</sup> September 2014 to 28<sup>th</sup> November 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.

The following audits were currently in progress;

- Non Domestic Rates
- Housing Allocations and Lettings
- Transport, Vehicles and Fuel
- Sundry Debtors

The summary showed for each report the Overall Audit Opinion on the audit and the number of recommendations made / agreed where a full response had been received.

It was noted that two marginal reports had been issued one for Clowne Leisure Centre and one for Procurement.

With regard to the marginal report for Clowne Leisure Centre, the Interim Head of Internal Audit advised the meeting that more transparency was required where the Authority received income in respect of bar and ticket sales to ensure that the Council was receiving the income it was entitled to.

In relation to the Procurement audit the Executive Director – Operations added that the issues would largely be resolved by the Transparency Agenda as any company who had

## AUDIT COMMITTEE

been paid over £5,000 by the Authority would have to be listed on the Council's public website. The Transparency Agenda would also control the procurement process so there would be no threat of a legal challenge to the Authority – it would also include the tendering process to show that a 'proper' contract was in place and a tendering exercise had taken place.

Members asked questions.

A discussion took place.

The Executive Director – Operations noted that Internal Audit would review procurement arrangements again in a year's time.

Moved by Councillor D. McGregor, seconded by Councillor J. Clifton  
**RESOLVED** that the report be noted.

### **0635.           REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS STRATEGIC RISK REGISTER**

The Executive Director – Operations presented a report which provided an update in relation to the current position regarding Risk Management and also sought Committee's approval for the revised Strategic Risk Register as at 30<sup>th</sup> September 2014.

The Strategic Risk Register was intended to highlight those areas where the Council needed to manage its risks effectively. One of the key purposes of the report was to set out the risks that had been identified and to encourage both Members and Officers to consider whether the Strategic Risk Register and supporting Service Risk Registers covered all of the issues facing the Council.

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

In order to develop the understanding of risk throughout the organisation, a series of training sessions for senior managers had been held over the previous two months.

A discussion took place regarding employment losses in relation to the local economy and the Executive Director – Operations noted that there was a danger that the Council could lose key staff if the economy picked up. A significant percentage reduction in staffing numbers had already taken place, however, it was noted that front line services had been protected.

Moved by Councillor J. Clifton, seconded by Councillor D. McGregor  
**RESOLVED** that the report be noted.

## AUDIT COMMITTEE

### 0636. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS BUDGET MONITORING REPORT, HALF YEAR – APRIL 2014 TO SEPTEMBER 2014

Committee considered a report of the Executive Director – Operations in relation to the half year budget monitoring report (April 2014 to September 2014). The report had been presented to the Executive on 1<sup>st</sup> December 2014.

The scope of the report was to summarise the current financial position following the 2014/15 quarter two monitoring exercise.

In addition to undertaking the budget monitoring exercise the finance team had been working with Budget Managers to compile a Revised Budget for 2014/15. This would be used to amend the current budgets to capture the budget savings and reduced spending where it was anticipated that there would be a minimal impact upon services. The outcome of this work was shown as the Revised Budget 2014/15 in the final column of Appendix 1 to the report.

On the basis of the figures that had been incorporated into the Revised Budget, the Council was in a position to cover the full savings target and to generate further savings surplus of some £886k. The main factors underlying this projected improved position in respect of 2014/15 were as follows:

#### Summary of Identified Savings:

Saving	£000's
Improvement in Non Domestic Rates Income	378
Reduction in Non Employee Costs	281
Reduction in Debt Charges	151
Reduction in Salary Costs	116
Vacancy Management	64
Joint Working / Shared Services	77
13/14 Outturn Review	45
Property Rationalisation	22
Miscellaneous Savings	200
<b>TOTAL SAVINGS</b>	<b>1,334</b>

It needed to be recognised that all costs had been minimised in order to secure the maximum level of savings, however, should an unexpected budget issue arise then it would be difficult to accommodate significant cost increases within the current budget provision. Officers would continue to monitor the position and the allocation of savings secured would be considered as part of the Council's Medium Term Financial Plan (MTFP) covering 2015/16 and beyond. Full details of the proposed Revised Budgets were set out in Appendix 2 to the report.

Where possible the budget in future years would be amended to reflect these savings thus serving to reduce the projected budget gap faced by the Council. This work would be incorporated into the financial projections included within the MTFP as part of next year's budget process, which would be reported to Members for approval in February 2015.

## AUDIT COMMITTEE

A lengthy discussion took place.

In response to a Member's question in relation to Job Evaluation (JE), the Executive Director – Operations explained that JE was not used for the purpose of securing financial savings; officers could also challenge the scores from JE.

A Member raised concern regarding Section 106 monies. The Executive Director – Operations advised the meeting that 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 were now recorded within the General Fund directorate budgets with expenditure recorded against these sums. Officers were working to ensure that this spending was undertaken in line with the S106 legal requirements.

A discussion took place regarding the Growth Agenda and a Member raised that development of the Council's ex garage sites could be a quicker process.

In response to a Member's question, the Executive Director – Operations explained that savings in relation to 'supporting people' was savings that others had to make, for example, Derbyshire County Council. The Council's Housing Service had won contracts in relation to supporting people and this would help protect the Council's position.

Moved by Councillor S. W. Fritchley, seconded by Councillor D. McGregor  
**RESOLVED** that the report be noted.

### **0637.           REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS KEY ISSUES OF FINANCIAL GOVERNANCE**

Committee considered a report of the Executive Director – Operations which provided information for Members to consider the progress that had been secured concerning the implementation of previous recommendations from both External and Internal Audit in maintaining and improving the Council's financial governance arrangements.

Whilst the evidence provided within the report indicated that the Council's financial governance arrangements were robust and were continuing to improve, it was important that this progress was maintained and outstanding issues were resolved.

In the light of the outcome of the 2013/14 year end report provided by the Council's External Auditors, 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 had been provided to 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.

## AUDIT COMMITTEE

- The Council's procurement arrangements had been revised and appropriately qualified and experienced support from Chesterfield Royal Hospital Trust had been secured. Officers were now looking at utilising the contract information provided to meet the requirements of the Transparency Agenda as the basis for securing improvements in contractual arrangements.
- The capacity and resilience of the Accountancy team was being enhanced by ensuring appropriate training arrangements were 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 together with the Head of the Internal Audit Consortium 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 were fully implemented and that the profile of the importance of internal control was raised within the Council. This would 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.
- Continued monitoring of the position with respect to the delivery of the Internal Audit Plan.

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

A short discussion took place.

Moved by Councillor J. Clifton, seconded by Councillor D. McGregor  
**RESOLVED** that the report be received.

### **0638.           REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS                   UTILISING E TENDERING SOFTWARE**

Committee considered a report of the Executive Director – Operations in relation to an update concerning the development of new processes in respect of the receipt and opening of tenders.

The Council currently operated a tender opening system based upon a manual process where independent officers certified tender submissions with elected Members in attendance as independent witnesses. These traditional arrangements, whilst time consuming and difficult to organise, have generally worked well.

## AUDIT COMMITTEE

E tendering solutions, where a tender submission was undertaken electronically, were increasingly being utilised within the public sector.

There were a number of advantages to E tendering including simplicity, security, efficiency, transparency, whilst also providing an electronic auditable process.

These advantages were beneficial to both supplier and the organisation seeking to procure a supply or service. Currently, E tendering was increasingly regarded as constituting good practice within the public sector and it was anticipated that legislation would be introduced in the near future making E tendering compulsory.

Since April 2014, the Council has been in a shared procurement arrangement with Chesterfield Royal Hospital who has appropriate E Tendering software in place for its own tendering arrangements.

To ensure that the Council was compliant with forthcoming legislation and was able to demonstrate transparency in the management of tender documentation, it was proposed to extend the use of this software to Bolsover contracts in the near future and to discontinue the use of manual tender submission and opening procedures. E tendering would also secure efficiency savings from a reduction in staff time spent on managing the tender process.

Members were asked to note that provisions in the Council's Constitution already allowed the use of either an E Tendering or traditional tender opening process.

A short discussion took place.

Moved by Councillor S.W. Fritchley, seconded by Councillor D. McGregor  
**RESOLVED** that the report be noted.

The meeting concluded at 1530 hours.