

AUDIT COMMITTEE

AGENDA

Monday 13th April 2015 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 16th February 2015	3 to 8
5.	Reports of the Internal Audit Consortium; Internal Audit Plan 2015/2016.	9 to 20
6.	Reports of the Internal Audit Consortium; Summary of Progress on the 2014/15 Internal Audit Plan.	21 to 25
7.	Reports of the Executive Director – Operations; Key Issues of Financial Governance.	26 to 32

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Chamber Suites 3, The Arc, Clowne, on Monday 16th February 2015 at 1400 hours.

PRESENT:-

Members: - Councillors S.W. Fritchley and A.F. Tomlinson.

Cooptee Member: - J. Yates.

Officers: - B. Mason (Executive Director - Operations), D. Clarke (Assistant Director Finance, Revenues and Benefits), S. Sunderland (Audit Team Lead, KPMG) and A. Bluff (Governance Officer).

J. Yates in the Chair

0817. APOLOGIES

Apologies for absence were received from Councillors J.A. Clifton, D. McGregor, K. Reid, E. Watts and officers J. Williams (Interim Head of Internal Audit Consortium) and K. Meats (Audit Manager, KPMG).

0818. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

0819. DECLARATIONS OF INTEREST

There were no declarations of interest.

0820. MINUTES – 19th JANUARY 2015

Moved by Councillor A.F. Tomlinson, seconded by Councillor S.W. Fritchley
RESOLVED that the minutes of an Audit Committee meeting held on 19th January 2015 be approved as a correct record.

**0821. REPORTS OF THE EXTERNAL AUDITOR (KPMG)
EXTERNAL AUDIT PLAN 2014/15**

Members considered a report of the External Auditor, KPMG, regarding the External Audit Plan 2014/15.

Sue Sunderland, Audit Team Lead, KPMG, took Members through the report.

The overall audit approach remained similar to last year with no fundamental changes. Work would be carried out in four stages with the timings for these and specifically on site work had been agreed with the Chief Financial Officer (Executive Director – Operations).

Initial risk assessment for the Value for Money conclusion had been completed and the following significant risks had been identified;

- Financial standing – delivery of future savings to secure long term financial and operational sustainability remained challenging and therefore posed a risk to financial resilience.
- Contract arrangements – weaknesses identified by Internal Audit, particularly in relation to framework contract agreements remained a risk to both financial resilience and economy, efficiency and effectiveness.

The main year end audit was currently planned to commence in July 2015 with Kay Meats acting as Audit Manager and Katie Scott taking over as the In Charge. The planned fee for the 2014/15 audit was £65,880 – this had increased by £900 from the position set out in the Audit Fee Letter 2014/15, as the Audit Commission had increased the fee to accommodate the additional work required around NNDR now that KPMG no longer audited the grant certificate.

Moved by Councillor S.W. Fritchley, seconded by Councillor A.F. Tomlinson
RESOLVED that the report be received.

**0822. REPORTS OF THE EXTERNAL AUDITOR (KPMG)
 CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT
 2013/14**

Members considered the annual report of the External Auditor, KPMG, in relation to the Certification of Claims and Returns 2013/14.

In 2013/14 certification work was carried out on the following claims/returns;

BEN01 – Housing Benefit subsidy claim – certified value £22,448,222
CFB06 – Pooling of Housing Capital Receipts – certified value £1,354,926

Sue Sunderland presented the report.

Certification work in respect of Pooling of Housing Capital Receipts did not identify any issues or errors with the return.

Minor errors had been identified in respect of the Housing Benefit subsidy claim and DWP rules required all issues to be reported or amended regardless of size. Where it was not possible to calculate an amendment, errors were reported in a qualification letter to the DWP. External Audit recommended that the Authority reviewed the areas in question and ensured that these were communicated to staff and covered in future quality checks.

A Member queried if the number of claims in relation to Welfare Reform was increasing. The Executive Director – Operations replied that claims had stabilised since the initial introduction of the reforms and that the turnaround for new claims was good. Universal Credit had not yet been introduced in Bolsover with the start date anticipated as autumn 2015.

A discussion took place.

Moved by Councillor A.F. Tomlinson, seconded by Councillor S.W. Fritchley
RESOLVED that the report be noted.

0823. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS ACCOUNTING POLICIES 2014/15

Members' approval was sought of the accounting policies which it was proposed to adopt for the current financial year in the preparation of the Statement of Accounts 2014/15.

The Accounting Policies were published within the Statement of Accounts in accordance with the Code of Practice on Local Government Accounting and incorporated the requirements of International Financial Reporting Standards (IFRS).

Officers had assessed the accounting policies that were deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2014/15. In undertaking this assessment a review of all accounting policies previously agreed had been undertaken to check their relevance, clarity, legislative compliance and that they were in accordance with the latest version of the code of practice and IFRS requirements. With regard to the policies proposed in respect of 2014/15, there had been a limited number of minor changes which were seeking to clarify the policies; however, there had been no significant amendments from the policies adopted in respect of 2013/14. Full details of all the proposed accounting policies for the current financial year were provided at Appendix 1 to the report.

As the Statement of Accounts for 2014/15 were prepared it may be necessary to amend a policy in order to adopt a more appropriate accounting. If this occurred, the change and the reason for the change would be reported back to the Audit Committee at its meeting in June 2015 prior to the publication of the Statement of Accounts.

None of the policies outlined in Appendix 1 were considered to be in conflict with legislative or IFRS requirements, therefore, the risk of adopting a policy that contravened good practice was considered minimal. The greater risk was the failure to ensure that the policy and the actual accounting treatment were consistent. To minimise this risk the final accounts timetable for 2014/15 had officer review time built in to cross check the policies to the actual treatment of items within the accounts.

A short discussion took place.

Moved by Councillor A.F. Tomlinson, seconded by Councillor S.W. Fritchley
RESOLVED that (1) the Accounting Policies as set out in appendix 1 to the report be approved,

(2) any proposed amendments or changes to these policies be reported back to Audit Committee, together with an explanation for the reasons a change is considered to be appropriate and detailing any financial implications of the amendments.

(Executive Director – Operations)

0824. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS KEY ISSUES OF FINANCIAL GOVERNANCE

Members considered a report of the Executive Director – Operations in relation to the Keys Issues of Financial Governance.

The purpose of the report was to track progress concerning the implementation of previous recommendations from both External and Internal Audit and to inform Audit Committee of progress in addressing those recommendations.

The four key issues as previously agreed were;

1. Take effective steps to balance the Council’s budget over the period of the Medium Term Financial Plan.

The Council had achieved its full targeted level of savings of £0.884m in respect of 2013/14 and would secure a balanced budget in respect of the current financial year (2014/15). The budget in respect of the next financial year had identified a savings target of £0.350m which officers were of the view should be relatively easy to secure. However, the shortfalls in respect of 2015/16 and 2016/17 were both in the region of £1m. The position in respect of these latter years was made more difficult by the fact that the actual grant settlement would not be provided until the Autumn Statement of the incoming Government in November 2015. Against this background it was important that the Council continued to progress its growth and transformation strategies to secure financial sustainability and enable it to address the identified shortfall.

2. To secure further improvements in financial reporting with respect to the Council’s published accounts and in the Council’s financial management arrangements.

The Council had 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 provided a firm foundation for consolidation of progress. The Accountancy Team was well established and 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.

3. To improve the Council’s Internal Control arrangements, and to strengthen the culture of effective management and budgetary control across the Authority.

This Key Issues of Financial Governance report together with reports from Internal and External Audit should enable Audit Committee to monitor the progress that was being made in respect of securing improvements in internal control arrangements. Internal Audit

had undertaken a more prominent role in the Council's Performance Management arrangements since April 2013.

A comprehensive training programme had been delivered to all cost centre managers during the summer of 2014 and measures would be taken to strengthen the communications around the importance of internal control and the Council's wider financial position.

The position with respect to the managerial arrangements operating within Internal Audit will continue to be monitored and officers will work to ensure that the agreed Audit Plan was delivered by the year end. The reduction in the number of Internal Audit reports where areas had been assessed as marginal between 2012/13 and 2013/14 supported the view that the internal control environment was improving.

4. To ensure that issues around the Council's contractual arrangements are resolved and that good quality arrangements remain in place.

The recent review by Internal Audit had concluded that managerial arrangements in this area, whilst improved, remained marginal. A number of measures had been put in place in order to secure further improvement which could be summarised as follows:

- A training programme including a significant element concerning procurement contracts had been delivered.
- The Council was using the contract data required under the Transparency Agenda as the basis for securing improvements in our managerial arrangements.
- The Council had 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 would be implemented. There would be an increased emphasis on Procurement issues as part of the Quarterly Finance, Risk and Performance meetings.

A discussion took place regarding tenders and contracts and that the Council had measures in place to make sure a contractor was delivering on a contract awarded to them.

Moved by Councillor S. W. Fritchley, seconded by Councillor A. F. Tomlinson
RESOLVED that the report be received.

0825. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS STRATEGIC RISK REGISTER

Members' approval was sought in relation to the revised Strategic Risk Register as at 31st December 2014 as part of the suite of Finance, Performance and Risk reports. The report also updated Members on the current position regarding risk management.

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 faced the organisation.

In addition to work undertaken at the Business Risk Group the Council also considers the issue of Risk Management at the Quarterly Directorate meetings. This allowed 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 allowed 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 was also reported on a quarterly basis to the Executive.

At the quarterly Performance meeting one issue was raised concerning the requirement to ensure that the Council's role in administering the Election process in May 2015 was appropriately handled with robust arrangements in place. Officers were confident that by providing adequate staffing resources the position would be appropriately managed, however, the significant reputational damage arising from any failings was acknowledged.

This issue had been incorporated into the Strategic Risk Register which concerned the large number of projects the Council needed to deliver against the background of limited capacity. Given the importance of delivering an Election, the associated risks would be managed where necessary by diverting resources away from other work streams.

A short discussion took place.

Moved by Councillor A.F. Tomlinson, seconded by Councillor S.W. Fritchley
RESOLVED that the report be received.

The meeting concluded at 1430 hours.

Bolsover District Council

Audit Committee

13th April 2015

Internal Audit Plan 2015/16

This report is public

PURPOSE OF REPORT

- To present to Members for consideration and agreement the Internal Audit Plan for 2015/16.

1.0 Report Details

- 1.1 A key requirement of the Public Sector Internal Audit Standards is that a periodic risk based plan should be prepared that is sufficiently flexible to reflect the changing risks and priorities of the organisation. The risk based plan should be fixed for a period of no longer than one year, should outline the assignments to be carried out, their respective priorities and the estimated resources needed.
- 1.2 The internal audit plan helps to achieve the corporate aim “Strategic Organisational Development” which looks to continually improve the organisation. Systems are examined and evaluated to ensure that they are effective and efficient and that the controls in place are operating as intended.
- 1.3 A note explaining the role, purpose and some of the terminology used in the internal audit plan is attached at Appendix 1.
- 1.4 An annual report summarising the outcome of the 2014/15 internal audit plan will be presented to this Committee after the year-end.
- 1.4 A summary of the internal audit plan for 2015/16 is shown below and the detailed plan is shown as Appendix 2.

Internal Audit Plan 2015/16

Summary	Audit Days
Main Financial Systems	191
Other Operational Audits	96
Computer / IT Related	16
Fraud and Corruption	25
Corporate / Cross Cutting	80
Client Officer/SMT Issues	20
Special Investigations & Contingency	40
Audit Committee / Client Liaison	15
Grand Total	483

- 1.6 The plan has been prepared taking into account the following factors:-
- The organisational objectives and priorities;
 - Local and national issues and risks;
 - The requirement to produce an annual internal audit opinion;
 - The organisations assurance framework;
 - An update of the internal audit risk assessment exercise covering the financial control and other procedures subject to audit (see Appendix 1, section 5 for further details);
 - The Council's strategic risk register and
 - The views of the Executive Director- Operations
- 1.7 Resource availability has been based on the Consortium Business Plan for 2015/16. The plan allocates 483 days to Bolsover District Council for 2015/16 this is the same allocation as for 2014/15.
- 1.8 A copy of the audit plan is provided to the Council's external auditor to assist in co-ordination of work programmes.
- 1.9 A copy of the three year audit plan covering the period 2013/14 – 2015/16 is attached for information as Appendix 3.
- 2.0 Conclusions and Reasons for Recommendations**
- 2.1 To ensure that a risk based audit plan is adopted and to determine the internal audit work programme for 2015/16.
- 2.2 To comply with 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 Financial – the internal audit budget for 2015/16 has been approved by the Joint Board and includes a contingency to cover for any unforeseen circumstances etc.

5.1.2 Risk management Issues – no formula exists that can be applied to determine internal audit coverage needs. However, as a guide the minimum level of coverage is that required to give an annual evidence-based opinion on internal controls. The level of coverage provided by the proposed 2015/16 internal audit plan will be sufficient upon which to base an opinion.

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 Internal Audit Plan for 2015/16 be agreed.

7 Decision Information

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

8 Document Information

Appendix No	Title
Appendix 1	Internal Audit Plan – Background Note
Appendix 2	Draft Internal Audit Plan 2015/16
Appendix 3	Three year Internal Audit Plan 2013/14 – 2015/16
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 Interim Head of the Internal Audit Consortium	01246 242463

INTERNAL AUDIT PLAN

BACKGROUND NOTE

1. Definition of Internal Audit

Internal Audit is defined in the Public Sector Internal Audit Standards as:

“.. an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

2. The Purpose of Internal Audit

Internal audit is not a substitute for management. It is the purpose of internal audit to assist and support management by appraising the arrangements and procedures established.

There is also a statutory requirement for internal audit in local government contained in the Accounts and Audit Regulations 2011 and The Accounts and Audit Regulations 2015 that come in to force on the 1st April 2015. These regulations require the authority to maintain 'an adequate and effective system of internal audit of its accounting records and of its system of internal control'.

3. The Difference Between Internal Audit and External Audit

External audit is completely independent of the authority. The Council’s external auditors are KPMG. Much of the external auditors’ work is determined by statutory responsibilities. Internal audit’s terms of reference are determined and approved by management.

However, there is nevertheless considerable scope for co-operation to avoid duplication of work and to make maximum use of audit resources. By reviewing the work of internal audit, external audit will be in a position to determine whether reliance can be placed on the work concerned.

4. The Scope of Internal Audit Work

One of the essential elements for effective internal auditing is that the internal auditor should adequately plan, control and record their work.

To determine priorities and to assist in the direction and control of audit work the internal auditor will prepare a plan based on a risk assessment.

The audit plan is divided into the following sections: -

- **Main Financial Systems**
This covers the fundamental accounting and income collection systems of the authority such as payroll, creditor payments, council tax etc. Most of these systems are reviewed on an annual basis due to their importance. External audit examines and places reliance on the work carried out.
- **Other Operational Audits**
Audits to be undertaken in services include a review of procedures at leisure centres and controls in respect of issuing taxi licences.
- **IT Related**
Topics in this area of the plan include a review of disaster recovery arrangements.
- **Fraud and Corruption**
Audits specifically related to the prevention of fraud and corruption are covered in this area of the plan. Examples include work on recruitment and selection and NFI. It should be noted that a significant number of other audits include an anti-fraud element e.g. income audits.
- **Cross Cutting Issues**
This area of the plan includes audit subjects that cover all services or are corporate Issues. Examples include work on procurement and data protection.
- **Special Investigations**
A contingency provision is included in the plan to cover the investigation of irregularities or cases of suspected fraud and other problems.

5. Delivering the Internal Audit Service

A three year strategic audit plan is compiled based on an internal audit risk assessment of auditable areas. This risk assessment takes into account the following factors:

- Materiality – the amount of funds passing through the system
- Control Environment / vulnerability – assessed level of control based on previous audit findings
- Sensitivity – profile of the system in relation to customer service
- Management concerns – any specific issues relating to the operation of the system e.g. Council's Strategic Risk Register

Using a scoring system, audits are then categorised as High, Medium or Low risk. This ranking is then used to compile the annual audit plan.

The areas of audit work set out in the agreed plan are split into individual audit assignments.

An audit assignment can involve:

- preparation of system notes and a review/analysis of system controls;
- extraction of background information;

- extraction and testing of sample transactions and controls;
- notes of interviews and meetings.

All work undertaken is recorded on detailed working papers. To ensure that all areas have been covered and appropriate conclusions reached, all working papers are independently reviewed.

A report on the findings and recommendations arising from the audit is sent to the appropriate Director and to the Executive Director of Operations at the conclusion of the audit. A response to the recommendations is requested within a set time.

A summary of internal audit reports issued each quarter is reported to the Audit Committee and an Annual Report is submitted after the end of the year detailing the outcome of the audits completed.

INTERNAL AUDIT CONSORTIUM
DRAFT INTERNAL AUDIT PLAN 2015/16
BOLSOVER DISTRICT COUNCIL

	Main Financial Systems	Priority	Audit Days
	Main Accounting System	H	9
	Budgetary Control	H	10
	Payroll	H	20
	Creditor Payments (Key controls)	H	15
	Debtors (Key Controls)	H	10
	Treasury Management – Loans and investments	H	15
	Cash and Banking	H	20
	Council Tax (Key Controls)	H	10
	Non Domestic Rates (Key Controls)	H	10
	Housing / Council Tax Benefits	H	20
	Housing Rents (Key Controls only)	H	12
	Housing Repairs	H	20
	Stores	M	10
	Expenses and Allowances	L	10
			191
	Other Operational Audits		Audit Days
	Operations Directorate		
	Commercial Waste	L	10
	Contract Final Accounts	M	10
	Cash floats and balances	M	6
			26
	Growth Directorate		
	Disabled Facilities Grants	L	12
	The Tangent	M	10
	Taxi Licences	L	10
			32
	Transformation Directorate		
	Members Expenses	L	10
	Creswell Leisure Centre	M	10
	Pleasley Vale Outdoor Centre	L	10
	Health and Safety	L	8
			38
	Computer and IT Related		Audit Days
	PSN Compliance/Network Security	M	8
	Disaster Recovery	M	8
			16

	Cross Cutting Issues		Audit Days
	Corporate Governance / Assurance Statement	H	10
	Procurement/Contract Monitoring	H	15
	Financial Advice/Working Groups	H	10
	Corporate Targets	M	15
	Risk Management	M	10
	Data Protection	M	10
	Transparency Agenda	M	10
			80
	Fraud and Corruption		Audit Days
	Fraud Modules	H	10
	National Fraud Initiative	M	5
	Recruitment and Selection	M	10
			25
	Client Officer/SMT Issues		Audit Days
	Alliance Accounts/NFI – Assist Key Contact		20
	Special Investigations		Audit Days
	Contingency		40
	Audit Committee / Client Officer Liaison		15
	Planned Total Days 2015/16		483

<u>INTERNAL AUDIT CONSORTIUM</u>				
<u>BOLSOVER DISTRICT COUNCIL</u>				
<u>THREE YEAR INTERNAL AUDIT PLAN 2013/14 – 2015/16</u>				
		Audit Days		
Main Financial Systems		2013/14	2014/15	2015/16
Main Accounting System		9	15	9
Budgetary Control		10	10	10
Capital Accounting and Fixed Asset Register		10		
Payroll		20	15	20
Creditor Payments		20	20	15
Debtors		15	10	10
Treasury Management (Loans)		15	10	15
Cash and Banking		20	20	20
Council Tax		20	10	10
Non Domestic Rates		20	20	10
Housing / Council Tax Benefit		24	20	20
Housing Rents		20	20	12
Housing Repairs		20	20	20
Car Allowances and Expenses				10
Stores		10		10
VAT			8	
		233	198	191
Other Operational Audits		2013/14	2014/15	2015/16
Anti Social Behaviour/Community Safety		15		
Asset Management Arrangements			10	
Cash Floats and Balances		6	6	6
Clowne Sports Centre		15		
Commercial Waste				10
Contract Accounts and Procedures			15	
Environmental Health Miscellaneous Income		8		
Facilities Management			12	
Final Accounts		10	10	10
Frederick Gent Leisure Facilities Income				
Gas Servicing			8	
Grants (DFG's)				12
Grounds Maintenance			12	

Other Operational Audits continued	2013/14	2014/15	2015/16
Health and Safety			8
Housing Allocations and Lettings		15	
Insurance	10		
Land Charges	8		
Leisure Centres	10	10	10
Licensing E.Health		10	
Members Expenses and Allowances			10
Partnership Working Arrangements			
Planning Fees	12		
Pleasley Outdoor Centre			10
Property Rents/Pleasley Mill		10	
Rechargeable Works			
Refuse Collection	12		
Right to Buy Sales	10		
Sale of Land and Property			
Section 106 Agreements		12	
Taxi Licensing			10
The Tangent Business Hub	8		10
Ticket Sales for events	1		
Transport/Council Vehicles/fuel			
Working Neighbourhoods Fund	8		
	133	130	96
IT Related	2013/14	2014/15	2015/16
IT Policy and Security Review	8	8	
PSN Compliance			8
Use of Laptops/ removable Media		8	
Service Desk			
Disaster Recovery	8		8
Internet Usage Monitoring	8		
	24	16	16
Fraud and Corruption	2013/14	2014/15	2015/16
Fraud Modules	10	10	10
National Fraud Initiative	10		5
Money laundering		3	

Recruitment and Selection		10	10	
Gifts and Hospitality	5			
	25	23	25	
Corporate / Cross Cutting Issues	2013/14	2014/15	2015/16	
Corporate Targets	10		15	
Corporate / Annual Governance Statement	10	10	10	
Procurement	20	15	15	
Financial Advice / Working Groups	10	10	10	
Freedom of Information		6		
Risk Management	10		10	
Sickness Absence	10			
Inventories	7			
Data Protection	10		10	
Transparency Agenda	10		10	
	97	41	80	
Alliance Accounts/NFI Key contact	20	20	20	
Special Investigations / Contingency				
Special Investigations Contingency	40	40	40	
Audit Committee / Client Liaison	15	15	15	
Grand Total	587	483	483	

Bolsover District Council

Audit Committee

13th April 2015

<p>Summary of Progress on the 2014/15 Internal Audit Plan</p>
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This report is public

Purpose of the Report

- To present, for members' information, progress made by the Audit Consortium, during the period 29th November 2014 to 27th March 2015, 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 29th November 2014 – 27th March 2015, 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.
- 1.8 The following audits are currently in progress:
- Payroll
 - IT Policy and Security Review
 - Pleasley Mills/Property Rents
 - Main Accounting
 - Budgetary Control

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 29 th November – 27 th March 2015
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

BOLSOVER DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit Committee

Summary of Internal Audit Reports Issued – 29th November 2014 – 27th March 2015

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B014	Debtors	To ensure that invoices are raised and collected in a timely and accurate fashion	Good	28/11/2014	19/12/2014	0	0
B015	Non Domestic Rates	To ensure that bills are raised promptly and accurately and that there are sound collection procedures in place	Good	13/01/2015	3/02/2015	0	0
B016	Housing Allocations and Lettings	To ensure that there are procedures and policies in place that are applied	Good	13/01/2015	3/02/2015	0	0
B017	Housing Rents	To review the systems and controls in place for raising and collecting housing rents	Good	30/01/2015	20/02/2015	1M	1

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B018	Asset Management Arrangements	Good	To ensure that there is a strategic approach to asset management that contributes towards achieving corporate objectives	6/02/2015	27/02/2015	2 (1M 1L)	2
B019	Fuel, Transport and Depot Security	Good	To review the policies and procedures in place and to assess security arrangements	17/02/2015	10/03/2015	1L	1
B020	Housing Repairs	Satisfactory	To review and assess the controls in place	3/03/2015	24/03/2015	1H	1
B021	Laptops and Removable Media	Satisfactory	To ensure that there are suitable policies and procedures in place that are operational	4/03/2015	25/03/2015	6 (1H 3M 2L)	4
B022	Creditors	Good	To ensure that purchase orders are raised correctly and that invoices are paid in an accurate and timely manner	10/03/2015	31/3/2015	0	0

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

Bolsover District Council

AUDIT COMMITTEE

13th April 2015

KEY ISSUES OF FINANCIAL GOVERNANCE

Report of the Executive Director – Operations

This report is public

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.
- 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 2013/14 Accounts are being addressed to help ensure that further improvements are secured in respect of the 2014/15 reporting process.
 - 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 evidenced by the reduction in the number of critical Internal Audit reports from 13 in 2012/13 to a figure of 3 in 2013/14. At this stage in the current financial year three reports have been evaluated as marginal, so even if no further critical reports are received there remains room for improvement.
- Whilst the Council has maintained 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."

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 working 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 year end 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 has been provided to 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. Officers are now actively utilising the contract information provided to meet the requirements of the Transparency Agenda as the basis for securing improvements in our contractual arrangements. This

information is now a standing item on the Quarterly Finance, Performance and Risk meetings.

- 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 together with the Head of the Internal Audit Consortium 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 U.K. 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 maintaining and improving the Council's financial governance arrangements. While the evidence provided within the report indicates that the Council's financial governance arrangements are robust and 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
1	Key Issues of Financial Governance : Summary
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 2013/14 (Audit Committee 15 th December 2014)	
“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

KEY ISSUES OF FINANCIAL GOVERNANCE SUMMARY

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 will secure a balanced budget in respect of the previous financial year (2014/15) achieving in full its savings target of £0.447m. The budget in respect of the current financial year (2015/16) has identified a savings target of some £0.350m which officers are of the view should be relatively easy to secure. However, the shortfalls in respect of 2016/17 and 2017/18 are both in the region of £1m. The position in respect of these latter years is made more difficult by the fact that the actual financial settlement will not be provided until the Autumn Statement of the incoming Government in November 2015. Against this background it is important that the Council continues to progress its growth and transformation strategies to secure financial sustainability and enable it to address the identified shortfall.</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 has been 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</p>

	<p>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, 2013/14 and 2014/15 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 has been delivered. • The Council is using the contract data required under the Transparency Agenda as the basis for securing improvements in our managerial arrangements. • 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.