

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.