

AUDIT COMMITTEE

AGENDA

Monday 22nd June 2015 at 1000 hours in Chamber Suite 3, 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 2 nd June 2015	To Follow
5.	Report of the External Auditor (KPMG); Annual Audit Fee 2015/16	3 to 10
6.	Reports of the Internal Audit Consortium; Internal Audit Consortium Annual Report 2014/15 to Bolsover District Council.	11 to 26
7.	Reports of the Internal Audit Consortium; Summary of Progress on the 2014/15 and 2015/16 Internal Audit Plans.	27 to 31
8.	Reports of the Executive Director – Operations; Draft Statement of Accounts (including Annual Governance Statement) 2014/15.	32 to 138
9.	Reports of the Executive Director – Operations; Annual Review of the Effectiveness of Internal Audit.	139 to 144
10.	Reports of the Executive Director – Operations; Key Issues of Financial Governance.	145 to 151

Bolsover District Council

Audit Committee

22nd June 2015

ANNUAL AUDIT FEE 2015/16

Report of the Council's External Auditor KPMG

This report is public

Purpose of the Report

- For the Audit and Corporate Governance Scrutiny Committee to note the letter concerning the Annual Audit Fee 2015/16 from KPMG the Council's External Auditors. This letter is attached as Appendix 1.

1 Report Details

- 1.1 That the Audit Committee consider and note the attached letter from the Council's External Auditors (KPMG).

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit and Corporate Governance Scrutiny Committee is able to effectively consider the work undertaken by the Council's external auditors.

3 Consultation and Equality Impact

- 3.1 None arising directly from the report.

4 Alternative Options and Reasons for Rejection

- 4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

There are no additional financial implications arising out of this report.

5.2 Legal Implications including Data Protection

None arising directly from this report.

5.3 Human Resources Implication

None arising directly from this report.

6 Recommendations

- 6.1 That the Audit Committee considers and notes the attached letter from the Council's External Auditors, KPMG, in respect of the Annual Audit Fee 2015/2016.

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	N/A
Links to Corporate Plan priorities or Policy Framework	N/A

8 Document Information

Appendix No	Title
1	Annual Audit Fee 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
Covering Report : Executive Director Operations, Bryan Mason Appendix 1 : KPMG	01246 217154

Bolsover District Council**Audit Committee****22nd June 2015****Internal Audit Consortium 2014/15 Annual Report to Bolsover District Council**

This report is public

Purpose of the Report

The purpose of this report is to:

- Present a summary of the internal work undertaken during 2014/15 from which the opinion on the internal control environment is derived
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement
- Compare work actually undertaken with that which was planned and summarise performance
- Comment on compliance with the Public Sector Internal Audit Standards
- Review progress against the internal audit improvement plan
- Comment on the results of the quality assurance programme
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter

1 Report Details

- 1.1 Appendix 1 details the audit reports issued in respect of audits included in the 2014/15 internal audit plan. The appendix shows for each report the overall opinion on the reliability of the internal controls. An additional column shows the opinion given at the last audit for information. The report opinions can be summarised as follows:

Control Level	Number of Reports	Percentage 2014/15	Percentage 2013/14
Good	19	70.4	51.5
Satisfactory	5	18.5	36.4
Fit for Purpose	0	0	3
Marginal	3	11.1	9.1
Unsatisfactory	0	0	0.0
Unsound	0	0	0.0
	27	100	100.0

- 1.2 A definition of the above control levels is shown in Appendix 1.

- 1.3 There were no issues relating to fraud arising from the reports detailed in Appendix 1.
- 1.4 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2014/15		2015/16
	Plan	Actual	Plan
Cost per Audit Day	£269	£234	£279
Percentage Plan Completed	96%	93.5%	96%
Sickness Absence (Days per Employee)	8.5 (Corporate Target)	6.2	8.5 (Corporate Target)
Customer Satisfaction Score (see para 11 below)	80%	85.3%	80%
To issue internal audit reports within 10 days of the close out meeting.	New Indicator	New Indicator	90%
Number/proportion of audits completed within time allocation	New Indicator	New Indicator	80%
% 2015/16 Agreed recommendations implemented	New Indicator	New Indicator	80%
Quarterly reporting to Standards and Audit Committee	New Indicator	New Indicator	90%

- 1.5 It should be noted that the cost per audit day for 2015/16 is calculated on the basis that a Head and Deputy Head of the Internal Audit Consortium have been budgeted for. In fact, the consortium is currently operating with just an Interim Head which should lead to a reduction in the cost per audit day.
- 1.6 The range of performance measurements in respect of the Internal Audit Consortium has been increased for the 2015/16 financial year. The Public Sector Internal Audit Standards state that performance monitoring should include comprehensive performance targets. A review was undertaken of the possible measures that could be used and the most appropriate and meaningful ones are to be adopted for 2015/16.

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

- 1.7 In respect of the main financial systems, Appendix 1 shows that internal controls were found to be operating satisfactorily or well, giving an overall confidence in the internal control system operating in relation to these systems.
- 1.8 Overall, 88.5% of the areas audited received a good or satisfactory opinion demonstrating that there are effective systems of governance, risk management and control in place. The table at 1.1 demonstrates that controls have improved

again from the previous year. There were no areas that were judged to be unsatisfactory or unsound.

- 1.9 There were 3 marginal reports issued during the year where only limited assurance on the reliability of internal controls can be given. Management have agreed the recommendations made and are actively working to implement them.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

- 1.10 The internal control issues arising from audits completed in the year have been reported to the Director of Operations for consideration during the preparation of the Annual Governance Statement. There have been no unsatisfactory or unsound reports issued in 2014/15 and no specific control issues identified for inclusion within the Annual Governance Statement although work is still ongoing to address controls in the area of procurement.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 1.11 The Internal Audit Plan for 2014/15 was approved by the Audit Committee on the 17th April 2014.
- 1.12 Two audits in the 2014/15 plan have not been completed (recruitment and selection and facilities management). The audits have not been completed due to a resource issue within HR (recruitment and selection) but also within internal audit as a full time auditor left in the middle of February 2015 but was not replaced until the end of March 2015.
- 1.13 A comparison of planned audits with audits completed is shown as Appendix 2. Overall 93.5% of planned audits were completed during the year which equates to just the above 2 audits that have been deferred.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

- 1.14 During 2014/15 a self assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The results of the review were reported to the Audit Committee in December 2014.
- 1.15 This review confirmed that there were no significant areas of non compliance but an improvement plan was developed to address the minor issues arising. Progress against the improvement plan can be seen at Appendix 3. As part of the improvement plan an Audit Guide was placed on the intranet to make people more aware of the role and expectations of Internal Audit (Appendix 4).
- 1.16 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Director of Operations but has a direct and unrestricted access to senior management and the Audit Committee.

- 1.17 Quality control procedures have been established within the internal audit consortium as follows:
- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.
 - Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
 - Client Officer Views – A survey form has been issued to the client officer seeking his views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.
 - All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards and issued to all staff.
- 1.18 The above quality control procedures have ensured conformance with the PSIAS.
- 1.19 Based on the customer satisfaction survey forms returned, the average score was 85.3% for customer satisfaction during 2014/15 (2013/14 result 88%).
- 1.20 The results of the Client Officer survey for Bolsover was a score of 91.4% (32 out of a maximum of 35 - for the seven areas reviewed this represented 4 'very good' scores and 3 'good' score). The 2013/14 score was 94%.

REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT CHARTER

- 1.21 The Audit Charter was reported to and approved by the Audit Committee on 24th September 2013.
- 1.22 Based on the information provided in this report on the completion of the 2014/15 internal audit plan, it is considered that the requirements of the Charter were met during the year.

2 Conclusions and Reasons for Recommendation

- 2.1 To present to Members the annual report for the Internal Audit Consortium in respect of Bolsover District Council for 2014/15.
- 2.2 To ensure compliance with the Public Sector Internal Audit Standards.

2.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

3 Consultation and Equality Impact

3.1 Not Applicable.

4 Alternative Options and Reasons for Rejection

4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

This report ensures that Members are aware of the work undertaken by internal audit during 2014/15 and the Head of Internal Audits opinion on the adequacy and effectiveness of the systems in place at Bolsover District Council.

5.2 Legal Implications including Data Protection

None.

5.3 Human Resources Implications

None

6 Recommendation

6.1 That the Internal Audit Consortium Annual Report for 2014/15 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	Internal Audit Reports issued 2014/15
Appendix 2	Comparison of Planned Audits to Audits Completed 2014/15
Appendix 3	Progress against Improvement Plan
Appendix 4	Guide to Internal Audit
Background Papers	
Report Author	Contact Number
Jenny Williams	01246 242463

Appendix 1

Bolsover District Council – Internal Audit Reports Issued 2014/15

Ref	Report Title	Overall Opinion 2014/15	Overall Opinion Previous Audit
1	Freedom of Information	Good	Good
2	VAT	Good	Satisfactory
3	Gas Servicing	Good	Fit for purpose
4	Section 106 Agreements	Marginal	Marginal
5	Environmental Health Licences	Satisfactory	Good
6	Clowne Leisure Centre	Marginal	Marginal
7	Procurement	Marginal	Marginal
8	Cash and Bank	Satisfactory	Satisfactory
9	Council Tax	Good	Good
10	Money Laundering	Good	Marginal
11	Treasury Management	Good	Good
12	Grounds Maintenance	Satisfactory	Marginal
13	Housing Benefits	Good	Good
14	Debtors	Good	Good
15	Non Domestic Rates	Good	Good
16	Housing Allocations and Lettings	Good	Satisfactory
17	Housing Rents	Good	Marginal
18	Asset Management Arrangements	Good	Marginal
19	Fuel, Transport and Depot Security	Good	Marginal
20	Housing Repairs	Satisfactory	Satisfactory
21	Laptops and Removable Media	Satisfactory	Marginal
22	Creditors	Good	Good
23	Pleasley Mills Rent Collection	Good	Marginal
24	ICT Policies and Network	Good	Good
25	Main Accounting	Good	Good
26	Budgetary Control	Good	Good
27	Payroll	Good	Good

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.

Appendix 2

INTERNAL AUDIT CONSORTIUM

BOLSOVER DISTRICT COUNCIL

Comparison of Planned Audits to Audits Completed 2014/15

Main Financial Systems – Planned Audits	Progress as at 31st March 2015
Main Accounting System	Completed
Budgetary Control	In Progress
Payroll	In Progress
Creditor Payments	Completed
Debtors	Completed
Treasury Management (Loans and Investments)	Completed
Cash and Banking	Completed
Council Tax	Completed
Non Domestic Rates	Completed
Housing / Council Tax Benefit	Completed
Housing Rents	Completed
Housing Repairs	Completed

Other Operational Audits – Planned Audits	Progress as at 31st March 2015
Operations Directorate	
Grounds Maintenance	Completed
Transport/Council Vehicles/Fuel	Completed
Housing Allocations and Lettings	Completed
Gas Servicing	Completed
Asset Management Arrangements	Completed
Facilities Management	Deferred
Contract Final Accounts	Ongoing

Other Operational Audits – Planned Audits	Progress as at 31st March 2015
Cash Floats and Balances	Completed
Growth Directorate	
Licensing Environmental Health	Completed
Section 106	Completed
Pleasley Mills/Property Rents	Completed
Transformation Directorate	
Clowne Sports Centre	Completed

Computer / IT Related – Planned Audits	Progress as at 31st March 2015
Laptops and Removable Media	Completed
IT Policy and Security Review	Completed

Fraud and Corruption – Planned Audits	Progress as at 31st March 2015
Money Laundering	Completed
Fraud Modules	Completed
Recruitment and Selection	Deferred

Corporate / Cross Cutting Issues – Planned Audits	Progress as at 31st March 2015
Corporate Governance/ Assurance Statement	Completed
Financial Advice/Working Groups	Input to working group
Procurement/Contract Monitoring	Completed
Freedom of Information	Completed

	Progress as at 31st March 2015
Client Officer / SMT Issues	
Alliance Accounts / NFI Key Contact Assistance	On going

Special Investigations / Contingency	As required
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Audit Committee / Client Liaison	On going
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INTERNAL AUDIT CONSORTIUM**BOLSOVER DISTRICT COUNCIL – PROGRESS AGAINST IMPROVEMENT PLAN**

Standards	Current	Action Required	Progress as at 31/03/2015
The Standards state that an external assessment of Internal Audit should be carried out at least once every 5 years	Not undertaken as yet	An external assessment must be carried out by April 2018	The Head of Audit and the Head of Finance will undertake an appropriate procurement exercise to ensure that an external review is undertaken prior to April 2018.
Performance monitoring – review of performance targets used. The Standards state that ongoing performance monitoring should include comprehensive performance targets.	Performance indicators are reported in the annual report	Review other possible performance indicators to assess if appropriate for adoption	Completed: Additional indicators have been identified and will start being measured in 2015/16
The Standards state that Internal Auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications	A training needs assessment established that the unit is highly qualified however only the HOIAC is fully qualified and there is limited IT expertise	To encourage and sponsor staff to obtain further relevant qualifications	One application has been received to undertake training for a relevant professional qualification starting in September 2015.
To make people more aware of the role and expectations of Internal Audit	Financial Regulations contain a section in relation to Internal Audit	To produce an article/leaflet to place on the intranet explaining the role of Internal Audit and the audit process	Completed: An article was placed on the intranet in March 2015 (Appendix 4)

Standards	Current	Action Required	Progress as at 31/03/2015
The Standards state that when planning an audit consideration should be given to significant risks and the opportunities to make improvements to the activity's governance, risk management and control processes.	Testing schedules are reviewed prior to each audit but there is scope to improve this process	Test schedules should be geared more towards risk and governance areas	Ongoing
Increasing the flexibility of Internal Audit Consortium staff to be able to work at each location.	Staff are largely fixed in one location	Increase the scope for auditors to undertake audits at each site or the same audit across each site to enhance the sharing of knowledge and experience.	Audit staff will shortly be moving from desktops to laptops. Bolsover DC and NEDDC Audit staff are now based at the same location.



GUIDE TO INTERNAL AUDIT

Purpose of the Guide

This guide is to try and allay some of the fears and misconceptions connected with an internal audit by explaining the role and purpose of internal audit. We would like managers to view an internal audit as a positive experience and not just a necessary evil! We are not trying to catch you out, pick fault or make life difficult, we just want to ensure that the appropriate controls are in place and operating to reduce risks for the council.

The Audit Team

We have a very experienced internal audit team that is friendly and approachable, willing to work around your other work commitments and to discuss any issues as they arise to try and find mutually acceptable solutions.

Why have an Internal Audit – other than you have to?

An internal audit will add value to you service by:-

- Confirming that there is a sound system of internal control and that your internal controls are operating effectively;
- Identifying potential weaknesses that you may not have considered;
- Ensuring that risks are being appropriately managed;
- Offering advice and guidance;
- Making practical and useful recommendations for improvement so there is less chance of things going wrong or mistakes being missed;

- Sharing the experiences of other Consortium members and best practice;
- Confirming that records are reliable so that management decisions can be based on accurate information;
- Confirming that the Council's policies, procedures and instructions are being followed;
- Confirming that assets are properly safeguarded.

Statutory Requirements

It is a statutory requirement for Councils to have an Internal Audit function. Internal audit is an independent, objective assurance function established for the review of the control environment (risk management, internal controls and governance) within an organisation.

The Internal Audit Consortium has to adhere to professional Standards including the Public Sector Internal Audit Standards which came in to force in April 2013.

Internal audit has a right of access to all books, records and documents (including computer files) and a right of entry to all sites, works and offices and any other property if considered necessary during an audit.

Financial Regulations also set out the role and purpose of internal audit. Senior managers are required to report any suspicions of fraud, corruption, financial irregularity etc. to the Head of Internal Audit.

Audit Plans

Each year we produce a detailed audit plan that is approved by the Audit Committee. The plan is established by various means but includes a detailed risk assessment so that areas with the highest risk are covered more frequently.

Some areas such as housing benefits are covered every year as there is a high value and high number of transactions involved and it would also be very embarrassing for the Council if something went wrong. Other areas with low income and expenditure and low risk for example pest control may only be covered once every 5 years.

In respect of key financial systems such as Council Tax, Debtors and Creditors etc., External Audit (KPMG) place reliance on our work which

reduces the time they need to spend on audits and hence keeps their fees to a minimum.

The Audit Process

- At the start of each audit we will contact the appropriate manager and arrange a start date for the audit.
- Where required a start up meeting will be arranged to discuss the audit, any concerns managers have in relation to the area under review and any changes that may have occurred since the previous audit.
- The audit will then commence. We try to cause as little disruption as possible and to work around your other work commitments.
- Initially we will need to document the systems and procedures in place particularly if we have not reviewed an area for some time.
- Testing will be undertaken to gain assurance that the systems and procedures in place are operating effectively and that they are appropriate.
- We may ask for copies of documents you hold such as your own system notes, procedures manuals, user guides, committee minutes etc
- Samples will usually be selected and examined to ensure that procedures are being followed.
- Once we have completed the audit a draft report will be produced. If we have noted any areas of weakness that present a risk then we will make recommendations within the report to address these risks.
- A close out meeting will then be arranged with the Service Manager where the findings of the report and the recommendations made will be discussed. This is the opportunity for managers to correct any factual inaccuracies. The recommendations will be discussed in terms of their practicality and we will be willing to consider alternative solutions to address a risk where possible.
- An audit opinion on the controls in place will be included within the report. These are:-

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.

- The report will then be issued. The service manager will have 5 working days to agree the factual content of the report and 15 working days to complete and return the implementation schedule (action plan).
- The recommendations made will then be monitored to ensure that they are implemented. The Public Sector Internal Audit Standards have made it a requirement that the Head of Internal Audit ensures that agreed recommendations are implemented.
- Each quarter the results of the audits undertaken are reported to the Council's Audit Committee.
- The Audit Committee has the power to summons managers to meetings if they feel that they are not giving internal audit reports and recommendations the consideration they are due.
- At the end of the year an annual report is produced summarising all the work we have undertaken in the year. This is used to produce an opinion on the governance, risk and control arrangements in place which in turn feeds in to the Annual Governance Statement.

Aiding the audit process

The audit process runs much smoother if managers ensure that:-

- Information is provided as soon as possible when requested;
- That access is granted at all reasonable times to premises, personnel, records and assets that the auditors consider necessary for the purpose of their work;

- The most knowledgeable personnel in the area to be audited are available;
- The findings and recommendations made in audit reports are responded to promptly and agreed recommendations implemented.

Customer Satisfaction Surveys

When the report is issued you will receive with it a Customer Satisfaction survey to complete. It helps us to get as many surveys back as possible so that we can use them to improve and develop our service.

Conclusion

Whilst we appreciate that everyone is busy and under pressure, we hope this guide has helped to explain why internal audit can add value and is not something to fear.

Internal Audit is a service to management that is independent and unbiased. We aim to be professional and to offer constructive and practical recommendations to help improve and protect services.

Bolsover District Council

Audit Committee

22nd June 2015

<p>Summary of Progress on the 2014/15 and 2015/16 Internal Audit Plans</p>

This report is public

Purpose of the Report

To present, for members' information, progress made by the Audit Consortium, during the period 28th March 2015 to 5th June 2015, in relation to the 2014/15 and 2015/16 Annual Internal Audit Plans. 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 28th March 2015 – 5th June 2015, for audits included in the 2014/15 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:

- Creswell Leisure Centre
- Corporate Targets
- Health and Safety

1.9 It should be noted that between the middle of February and the middle of June 2015 the Audit Section at Bolsover has been operating at a reduced staffing level due to a member of staff leaving and then a part time member of staff becoming full time. A recruitment exercise has taken place and a new 0.6 FTE member of staff will be commencing with the Consortium shortly. Progress against the plan will be closely monitored to allow remedial action if necessary later in the year.

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plans for 2014/15 and 2015/16 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 28 th March – 5 th June 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**Internal Audit Consortium - Report to Audit Committee****Summary of Internal Audit Reports Issued – 28th March 2015 – 5th June 2015**

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B023	Pleasley Mills Rent Collection	To ensure that rent is collected in a timely, accurate and efficient manner	Good	27/03/2015	21/04/2015	0	0
B024	ICT Policies and Network Security	To ensure that policies are up to date and comprehensive and that there are procedures in place to ensure that the network remains secure	Good	27/03/2015	21/04/2015	0	0
B025	Main Accounting	To ensure that the controls and procedures in place are operating	Good	20/04/2015	11/05/2015	0	0
B026	Budgetary Control	To review and Assess the budgetary control procedures in place	Good	23/04/2015	14/05/2015	0	0

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B027	Payroll	To ensure that the controls and procedures in place are operating	Good	2/06/2015	23/06/2015	0	0

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

Bolsover District Council

Audit Committee

22nd June 2015

Draft Statement of Accounts (including Annual Governance Statement) 2014/15.

Report of the Executive Director – Operations

This report is public

Purpose of the Report

- To note the provisional outturn position in respect of 2014/15 as summarised within the introduction to the Accounts provided by the Chief Financial Officer.
- To note that in line with the Accounts and Audit Regulations 2011 that the Chief Financial Officer will sign off the draft Statement of Accounts on behalf of the Council. The draft Statement of Accounts will be submitted for External Audit on the 30th June 2015.
- To obtain agreement to the Annual Governance Statement 2014/15 which will be published alongside the Council's Statement of Accounts.
- To allow the Audit Committee to consider the draft Statement of Accounts before they are submitted for Audit.

1 Report Details

Background Information

- 1.1 An amendment to the Accounts and Audit Regulations significantly changed the process of preparing local authority accounts. The procedures that are now in place are more in line with those which apply to company accounts and Members will now only be requested to approve the annual accounts after the findings of the independent external audit are known. At the end of June the draft accounts are signed off by the Chief Financial Officer, with the audited accounts being brought back to the meeting of this Committee on the 23 September 2014 for approval on behalf of the Council. The Accounts that are attached to this report as Appendix 1 are therefore provided to the Committee for information and comment and may be subject to amendment prior to submission to External Audit.
- 1.2. A summary of the financial outturn in respect of 2014/15 is provided within the Explanatory Foreword to the Statement of Accounts by the Chief Financial Officer. A copy of the proposed Foreword is provided as part of the Statement of Accounts attached as Appendix 1 to this report. It should be noted that a further

report detailing the variances between the budgeted and the outturn position will be taken to the July meeting of Executive. That report will include detailed explanations of any significant variations between the outturn position and the budget, and will outline any impact of the closure of the 2014/15 Accounts on the approved Medium Term Financial Plan.

- 1.3. It should be noted that within the published accounts themselves - which are the main focus of this report - that the variances between budget and outturn are masked by the fact that the published accounts include pensions (IAS19), capital charges (depreciation, impairment, gain or losses on disposal of assets) and other accounting adjustments which need to be reflected in the Council's accounts in line with the Code of Practice on Local Government Accounting and International Financial Reporting Standards (IFRS) requirements. While these adjustments are required to reflect good accounting practice and to provide comparable figures with other financial statements (including those of other local authorities) they do make the published accounts less useful as an internal management review and control tool within the authority. Members should also note that the figures provided within this report remain subject to External Audit.

Annual Governance Statement

- 1.4. The proposed Annual Governance Statement for 2014/15 is attached as part of the Appendix.

2 Conclusions and Reasons for Recommendation

- 2.1 The fact that it has proved possible to provide a completed version of the draft Statement of Accounts prior to the meeting of the Audit Committee on 22nd June demonstrates that the Accounts have been produced in a timely fashion given that the date for submission is 30th June 2014. Given that the timescale for the completion of the draft Statement of Accounts will move forward to the 31st May in respect of the 2017/18 financial year it is important that the Council works to ensure that its internal processes and procedures can deliver against a shorter timescale.
- 2.2 To ensure that the Council's draft Statement of Accounts are appropriately considered by the Council, including in particular the endorsement by the Audit Committee of the Annual Governance Statement.

3 Consultation and Equality Impact

- 3.1 The Statement of Accounts provides a summary of the Council's financial transactions and financial position during the 2014/15 accounting year. While this constitutes a key public document for the Council it is not intended to hold any consultation around the Statement of Accounts itself. The process of consultation is focussed upon the agreement to the Council's budget at the outset of the financial year, rather than upon the reporting of the outturn position.
- 3.2. There are no equality issues arising directly from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 The production of the Statement of Accounts is required by statute and the format of those Accounts is largely determined by good practice. Accordingly the Council has not given consideration to any other options in this instance.

5 Implications

5.1 Finance and Risk Implications

- The financial implications are set out within the body of the report and the attached Statement of Accounts. Further reports will be brought back to Members setting out the detailed variances in respect of the 2014/15 outturn, and that report will consider whether the evidence from the outturn position suggests that budgets in respect of 2014/15 and future years as set out within the Medium Term Financial Plan should be amended.
- Members should note that the budgets against which we have monitored the 2014/15 Outturn were those agreed within the Council's Medium Term Financial Plan. The Medium Term Financial Plan gave careful consideration to both the affordability of the budgets that were approved, and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management. The fact that the outturn position for 2014/15 indicates that these financial targets have been achieved, gives the Council a firm foundation from which to achieve the service delivery and financial targets approved within the current Medium Term Financial Plan.
- There are no issues concerning Risk Management arising directly out of this report

5.2 Legal Implications including Data Protection

- The Statement of Accounts is required to be prepared by the 30th June each year. The Council has now completed the accounts and they will be signed off by the Chief Financial Officer by the 30th June 2015 which will secure compliance with the Council's legal obligations.
- There are no data protection issues arising directly from this report.

Human Resources Implications

- None arising directly from this report

6 Recommendations

- 6.1 That the Audit Committee note that the Executive Director - Operations in his capacity as Chief Financial Officer will sign off the draft 2014/15 accounts on behalf of the Council.
- 6.2 That the Audited Statement of Accounts 2014/15 be brought to this Committee at its meeting on 23 September 2015 for approval on behalf of the Council.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None Directly.
Links to Corporate Plan priorities or Policy Framework	All Priorities.

8 Document Information

Appendix No	Title
1	Draft Statement of Accounts 2014/15
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)	
Accounts Working papers.	
Report Author	Contact Number
Chief Accountant Assistant Director Finance, Revenues and Benefits. Executive Director – Operations	2458 / 2214 /2431

Report Reference –

Bolsover District Council

Audit Committee

22nd June 2015

Annual Review of the Effectiveness of Internal Audit

Report of the Executive Director - Operations

Purpose of the Report

- To provide to the Audit Committee the annual review by the Chief Financial Officer of the effectiveness of the Council's Internal Audit arrangements.
- For the Audit Committee to consider whether the conclusion set out within this report represents a reasonable evaluation of the position in respect of the Internal Audit service and its effectiveness as part of the Council's Governance arrangements.

1 Report Details

Background

- 1.1 The Accounts and Audit Regulations require local authorities to follow proper accounting practices and to maintain an appropriate regime of internal control. These Regulations require that the council will on at least an annual basis conduct a review of the effectiveness of its internal audit service, and that this review will be considered by a committee of the Council as part of the wider consideration of the system of internal control.
- 1.2 Given the role of the Audit Committee in relation to financial governance and internal control issues it is appropriate that this report is brought before that Committee for consideration. These reviews have been undertaken for each year of operation since the current consortium arrangements with Chesterfield and North East Derbyshire became operational in 1 April 2007.

Review of the Effectiveness of Internal Audit

- 1.3 The Chief Financial Officer in reviewing the effectiveness of the Council's Internal Audit Service during 2014/15 is satisfied that an effective service has been provided, and his overall conclusion regarding the service is as follows:

"It is my opinion that the Council's Internal Audit section which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service upon which I can place reliance."

The sections below outlines the evidence which support that judgement and this Committee are asked to consider and comment upon the reasonableness of the judgement that has been reached.

- 1.4 Firstly, the Internal Audit Consortium has achieved 94% of the Internal Audit Plan for 2014/15 that was approved by this committee on 17th April 2014. The Audit Plan is based on a risk assessment process in respect of the Council's systems and internal controls, and the fact that the Plan has been completed by the year end does support the view that a systematic review of the Council's activities has been undertaken during the course of the year. As Chief Financial Officer I was consulted on and agreed the Audit Plan before the start of the financial year. I am satisfied that it was a robust plan which covered all of our main systems of internal control and areas of identified risk. As mentioned above the Plan was reported to this Audit Committee at its meetings on the 17th April 2014, where it was given appropriate consideration. Progress against the Audit Plan has been reported on to this Audit Committee on a regular basis during the year by the Head of the Internal Audit Consortium. Elsewhere on this agenda is the Internal Audit Consortium 2014/15 Annual Report to Bolsover District Council, which I am satisfied gives Members a true and fair view as to progress during the 2014/15 financial year. It should be noted that the Plan in respect of 2015/16 was agreed at this Committee on 13th April 2015.
- 1.5. Secondly, the most direct outcome which arises from the work of Internal Audit is its formal reports, which cover the areas as agreed within the Audit Plan. These reports provide important evidence which enable other stakeholders to evaluate the quality of the work of internal audit. There are a number of quality checks built into the process of producing and agreeing these audit reports. These include the right of the responsible service manager and Director to comment on the conclusion of the audit and the fact that all of the audit reports are effectively quality checked by the Executive Director Operations and the Assistant Director – Finance and Revenues and Benefits who exercises the Council's client function. Reports are also considered where appropriate by both the Council's Corporate Management Team (Senior Alliance Management Team) and by this Committee. This comprehensive range of quality control has not raised any issues which would conflict with my own views that the reports are prepared to an appropriate professional standard. As Chief Financial Officer no issues have been brought to my attention which would suggest that the Internal Audit service is failing to operate to appropriate professional standards.
- 1.6 Thirdly, the audit team operate to recognised good practice as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), in its Public Sector Internal Audit Standards (2013). At the meeting of this Committee on 15th December 2014 a report was brought to this Committee setting out a comparison between the requirements of the Standards with an outline as to how the internal audit function at Bolsover complied with these requirements. That assessment concluded that the Council complied with all main areas of the Standards. An Improvement Plan was agreed to address the minor areas of non compliance. Progress against that Improvement Plan is covered in Appendix 3 of the Internal Audit Consortium's Annual Report which appears elsewhere on this agenda. On the basis of the

evidence available the Chief Financial Officer is satisfied that the Consortium is operating in line with the requirements of the Public Sector Internal Audit Standards. In addition the Council operates its internal audit function in line with best practice as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2010).

- 1.7 It should be noted that under the Public Sector Internal Audit Standards (2013) which have applied since April 2013 that the Council is required once every five years to commission an independent review of its Internal Audit function by a suitably qualified external organisation. Officers have considered the position and have come to the view that such a review would probably be better undertaken at a later stage. The prime factor in forming this view is that 2014/15 is the second year in which the new system has operated and it was considered to be appropriate that we allow the market for external review to settle before committing to an external review of the service. Officers are of the view that 2016 would be a more suitable date.
- 1.8 It should also be noted that the Council's External Auditors KPMG place an on going reliance in its annual audit on the background work of the Internal Audit team in relation to system and other key controls. That work is quality assessed by the KPMG to ensure that it can place reliance on the work of the Internal Audit team. While there is no formal assurance work undertaken by the External Auditors they have not raised any issues regarding the quality of the Internal Audit work that is undertaken on the Council's behalf. This does provide some further assurance regarding the appropriateness of the work that is undertaken on the Council's behalf.
- 1.9. One of the issues that has been raised concerns the capacity of the team given that the former Head of the Internal Audit Team resigned from the host authority (Chesterfield Borough Council) over two years ago. Since that time the Interim Head of the Internal Audit Consortium has been managing the service. The staff resource concerned (Head of Internal Audit) has not been replaced by additional resources at any level within internal audit and the Team now has only one fully qualified Member. On the basis of the evidence provided within this report the internal team is continuing to operate at a high standard. During the course of 2013/14 the Council's senior officers undertook two pieces of work looking at the coverage of the Audit Plan. On the basis of a comparison with other authorities in Derbyshire we came to the conclusion that our level of audit coverage remains above average and that operating at the current level of capacity should not compromise the robustness of the review of the Council's internal control system.
- 1.10. The Audit Committee may wish to note that officers are currently working with other local authorities in Derbyshire to consider the advisability of operating internal audit across a wider area within Derbyshire. An external consultant has reported on feasibility and Officers are currently working with other authorities to consider whether a wider consortium would provide a service more suited to the needs of this Council. While discussions are continuing it is clear that there will be no financial savings from further joint work and that any advantages would arise because from either improvement in the quality of the service or from increased resilience.
- 1.11 Finally, in terms of the judgement regarding the effectiveness of Internal Audit it should be noted that the service has operated within the approved financial budget

since its inception in April 2007. Given that these budgets were based upon the Business Case which was developed concerning the Internal Audit consortium as part of the process of setting up the Consortium arrangements, and that the Business Plan explicitly considered best value issues I am satisfied that the service is providing good Value for Money for the Council. The exercise to review the scope of the Internal Audit Plan against the Audit Plan of other Councils operating within the Derbyshire area – as outlined in section 1.9 above – which was undertaken in 2013/14 supports the view that the scope of the Internal Audit service has been appropriately defined. Over the period since its inception the audit resource available to Bolsover District Council has been reduced reflecting the requirement within local authorities to secure on going efficiencies. I am also aware that the Interim Head of Internal Audit does give consideration to the overall cost of the Internal Audit Consortium in conjunction with colleagues that are part of the Midlands Audit Group.

2 Conclusions and Reasons for Recommendation

2.1 Having considered the evidence above and consulted with my colleagues on CMT (SAMT) and my senior finance officers I am satisfied that the Internal Audit Service is operating at an appropriate standard. I am also of the view that the Consortium has continued to improve the quality of the service that is provided to Bolsover District Council. Given my discussions with the senior staff within the Consortium I am satisfied that the Consortium is in a good position to continue to provide a high quality, cost effective service to the Council.

2.2 To establish whether the Audit Committee is in support of the view of the Chief Financial Officer that

"It is my opinion that the Council's Internal Audit function which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service which I can place reliance on."

3 Consultation and Equality Impact

3.1 Given that the purpose of this report is to consider the effectiveness of an existing service it is not considered that there is a requirement for consultation on this matter, or that there is any direct impact upon equality issues.

4 Alternative Options and Reasons for Rejection

4.1 The Chief Financial Officer is required by good practice to consider at the end of each financial year whether or not the Internal Audit team provide a service on which he can place reliance. There is therefore no option other than to bring this report to the Audit Committee which is the Committee charged with ensuring the sound financial governance of the Council.

4.2 In arriving at the conclusion of the report there is an option to conclude that the Internal Audit team does not provide a service on which the Chief Financial Officer can place reliance. Section 1 of the report sets out the grounds on which the Chief Financial Officer has concluded that the Internal Audit Team does provide a service on which he can place reliance.

5 Implications

5.1 Finance and Risk Implications

- There are no additional financial implications arising out of this report.
- On the basis that the Internal Audit Consortium provided a service on which the Council can place reliance then this provided a significant mitigating factor which will reduce the risk of a failure of the Council's Internal Control 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 additional HR implications arising out of this report.

6 Recommendations

6.1 That the Audit Committee consider the views of the Chief Financial Officer in his assessment of the Internal Audit Service during the 2014/15 financial year which is that:

"It is my opinion that the Council's Internal Audit function which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service which I can place reliance on."

6.2 That the Audit Committee make any comments which they consider to be appropriate either on the contents of this report, or on the opinion of the Chief Financial Officer regarding the effectiveness of the Internal Audit service.

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	Customer Focused Services – Providing Excellent customer focussed services. Strategic Organisational Development – Continually improving our organisation

8 **Document Information**

Appendix No	Title
N/A	
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Internal Audit Reports relating to individual services.	
Report Author	Contact Number
Executive Director – Operations (Chief Financial Officer)	2431

Bolsover District Council

AUDIT COMMITTEE

22nd JUNE 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 Draft Statement of Accounts in respect of the current financial year appears elsewhere on the agenda which demonstrates that the accounts have been prepared in a timely fashion prior to the 30th June deadline.
 - 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 that area as being marginal. Appendix 1 to this report outlines the steps that

are being taken by Management in response to the issues that have been identified.

- The Annual Governance Statement for 2013/14 outlined the progress that has been made in respect of improving the Council's internal Control arrangements as evidence by the reduction in the number of critical Internal Audit reports from 13 in 2012/13 to a figure of 3 in 2013/14. This position has been maintained with 2014/15 again recording 3 reports as being marginal. While there remains scope for improvement this outcome does support the view that in overall terms the system of internal control is working well and remains fit for purpose.
- Whilst the Council has maintaining good progress in protecting its financial resilience it needs to move to address the identified financial shortfalls in respect of 2015/16 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 have worked during 2014/15 to ensure that the Quarterly Finance, Performance and Risk meetings have placed 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. Members should note that elsewhere on this agenda is the draft Annual Governance Statement in respect of the 2014/15 financial year. That Statement seeks to reflect the issues raised within this report.

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 of over three 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 2014/15 Internal Audit Plan” (Audit Committee 13 th April 2015).	
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 projected 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 is not anticipated until the Autumn Statement 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. The audit of the 2014/15 Statement of Accounts will provide a further independent assessment of progress.</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>The reduction in the number of Internal Audit reports where areas</p>

	<p>have been assessed as marginal between 2012/13 and 2013/14 to 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.