

AUDIT COMMITTEE

AGENDA

Monday 14th December 2015 at 1400 hours in Chamber Suites 2 & 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 23 rd September 2015.	3 to 10
5.	Reports of the External Auditor (KPMG) Annual Audit Letter 2015/16.	11 to 17
6.	Reports of External Auditor (KPMG) External Audit Progress Report and Technical Update (November 2015).	18 to 30
7.	Reports of the Internal Audit Consortium; Summary of Progress on the 2015/16 Internal Audit Plan.	31 to 35
8.	Reports of the Executive Director – Operations; Revised Budget 2015/16.	36 to 43
9.	Reports of the Executive Director – Operations; Strategic Risk Register.	44 to 53
10.	Reports of the Executive Director – Operations; Draft Risk Management Strategy (including Partnership Working Strategy).	54 to 72
11.	Reports of the Executive Director – Operations; Draft Anti-Fraud, Bribery and Corruption Strategy (including Money Laundering Policy).	73 to 87
12.	Reports of the Executive Director – Operations; Key Issues of Financial Governance.	88 to 94

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Chamber Suites 1 and 2 on Wednesday 23rd September 2015 at 1400 hours.

PRESENT:-

Independent Member:-

Mr. J. Yates in the Chair

Members:-

Councillors M. J. Dooley, S.W. Fritchley and K. Reid.

Officers:-

B. Mason (Executive Director – Operations), S. Yates (Senior Auditor - Internal Audit Consortium), D. Clarke (Assistant Director – Finance, Revenues & Benefits), T. Fletcher (Chief Accountant) and A. Bluff (Governance Officer).

Also in attendance at the meeting was S. Sunderland (Audit Team Lead, KPMG) and K. Meats (Audit Manager, KPMG).

0375. APOLOGIES

Apologies for absence were received on behalf of Councillors J.A. Clifton, D. McGregor, A. Syrett and J. Williams (Interim Head of the Internal Audit Consortium).

0376. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

0377. DECLARATIONS OF INTEREST

There were no declarations of interest.

0378. MINUTES – 22nd JUNE 2015

The Executive Director – Operations drew the meetings attention to an amendment to the wording at minute number 0135 and also an amendment to the wording in the recommendation at minute number 0136.

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Minute number 0135 regarding the draft statement of accounts should read, "The Committee noted that the accounting policies had been amended to reflect the fact that the crematorium *accounts* were no longer included."

Minute number 0136 regarding recommendation (1) at Annual Review of the Effectiveness of Internal Audit, should read, RESOLVED that (1) the views of the Chief Financial Officer be *accepted*"

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

RESOLVED that subject to the above amendments, the minutes of an Audit Committee meeting held on 22nd June 2015 be approved as a true record.

(Governance Manager)

0379. REPORT OF THE EXTERNAL AUDITOR (KPMG): REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2014/2015

Committee considered a report of the External Auditor, KPMG, regarding the ISA 260 report 2014/15, in relation to the Council's financial statements for the year ended 31st March 2015.

The report represented a good outcome for the Authority with no material adjustments identified. The External Auditors would give an unqualified opinion in respect of the accounts and value for money by 30th September 2015.

External Audit had raised two areas of value for money risks relating to Delivery of Savings and Contract Arrangements. KPMG had worked with officers throughout the year to discuss these risks and the findings were detailed in the report. With regard to Internal Audit's findings in relation to contract arrangements, a recommendation remained in place which the report also provided details of.

In the report, KPMG had also commented on whether the arrangements with regard to the change in Chief Executive Officer in 2014/15 represented value for money and considered that the process could have been managed more effectively. The Executive Director – Operations noted that the former Chief Executive Officer had been resolving an operational issue of which he had a detailed understanding and this could not have been easily transferred to other officers.

Sue Sunderland congratulated the Authority on work well done and thanked the Finance Team for their hard work in producing the accounts.

Members approved the Management Representation letter attached to the report, which the Chair of Audit Committee and the Chief Financial Officer were required to sign on behalf of the Council.

It was noted that Sue Sunderland would be leaving KPMG in the near future. The Executive Director – Operations (Chief Financial Officer), the Chairman and Committee Members all thanked Sue for her positive contributions to improving the financial management of the Council over the previous seven years.

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Moved by Councillor M.J. Dooley, seconded by Councillor K. Reid
RESOLVED that (1) the report of the External Auditors, KPMG, be noted,

(2) the Letter of Representation appended to the report be approved and Audit Committee authorises the Chair of Audit Committee and the Chief Financial Officer sign the Letter on behalf of the Council.

(Mr J. Yates (Chair)/Chief Financial Officer)

0380. REPORTS OF THE EXECUTIVE DIRECTOR - OPERATIONS BOLSOVER DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2014/2015

Committee considered a report of the Executive Director – Operations, which sought approval of the Council’s audited Statement of Accounts for 2014/15.

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

It was noted that should any minor amendments to the accounts be identified prior to 30th September 2015, these could be agreed by the Chief Financial Officer, in consultation with the Chair or Vice Chair of the Committee. Any such changes would only be made with the agreement of KPMG and reported back to the next meeting of Audit Committee.

Moved by Councillor M.J. Dooley, seconded by Councillor K. Reid
RESOLVED that (1) the audited Statement of Accounts in respect of 2014/15 be approved,

(2) delegated powers be granted to the Chief Financial Officer in consultation with the Chair or Vice Chair of Audit Committee to agree any changes which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council’s external auditors, KPMG, to ensure completion of the Statement of Accounts by 30th September 2015.

(Chief Financial Officer)

0381. REPORTS OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT CHARTER

Members’ consideration and approval was sought in relation to the results from a review of the Internal Audit Charter.

The Public Sector Internal Audit Standards (PSIAS), which took effect from the 1st April 2013, required that the purpose, authority and responsibility of internal audit must be formally defined in an internal audit charter.

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In September 2013, the Internal Audit Charter was formally approved by Audit Committee and it was agreed that the Charter would be reviewed every 2 years to ensure that it was kept up to date.

The PSIAS required the Head of Internal Audit to review the Charter periodically but final approval rested with the Audit Committee. Committee were asked to note that there had been no update or revision to the Public Sector Internal Audit Standards (PSIAS) since the 2013 version.

The outcome of the review was that it was considered that the Charter was still appropriate and accorded with the PSIAS. Two minor changes had been made; reference to the Accounts, and Audit Regulations, had been updated to the 2015 version and a paragraph in respect of ethics had been added.

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

RESOLVED that (1) Members welcomed the outcome of the review of the Internal Audit Charter,

(2) the updated Internal Audit Charter be agreed,

(3) the agreed Internal Audit Charter be reviewed in two years time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

(Interim Head of Internal Audit Consortium/Chief Financial Officer)

0382. REPORTS OF THE INTERNAL AUDIT CONSORTIUM SUMMARY OF PROGRESS ON THE 2015/16 INTERNAL AUDIT PLAN

Committee considered a report regarding progress made by the Internal Audit Consortium, during the period 6th June 2015 to 4th September 2015, in relation to the 2015/16 Annual Internal Audit Plan. The report included a summary of Internal Audit Reports issued during the period together with details of work in progress.

Internal Audit Reports were issued as drafts with five working days being allowed for the submission of any factual changes, after which time the report was designated as a Final Report. Fifteen working days were allowed for the return of the Implementation Plan.

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

The overall opinion column of Appendix 1 to the report provided an assessment of the reliability of the internal controls examined.

In respect of the audits being reported, it was confirmed that there were no issues arising relating to fraud that needed to be brought to the Committee's attention.

The following audits were currently in progress:

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- Commercial Waste
- Recruitment and Selection
- Treasury Management
- Council Tax

Further detail regarding the three marginal reports in relation to Creswell Leisure Centre, Stores and Health and Safety, had been previously circulated to Members.

Members requested that an update on progress regarding health and safety issues be provided to all future Audit Committee meetings. The Health and Safety Advisor had also advised the Executive Director – Operations, that health and safety policies would be updated in line with legislative changes.

A lengthy discussion took place.

Moved by Councillor S.W. Fritchley, seconded by Councillor K. Reid
RESOLVED that the report be noted.

(Health and Safety Advisor/Executive Director – Operations)

0383. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS KEY ISSUES OF FINANCIAL GOVERNANCE

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

In particular, the Key Issues of Financial Governance report reflected the issues and outcomes raised by both external and internal audit in their reports, including those concerning the 2014/15 Financial Statements and related issues, as discussed earlier on in the agenda.

The Key Issues of Financial Governance were set out in Appendix 1 to the report;

The main objective was that of maintaining current standards. Given that the Statement of Accounts was a key document for the Council, which needed to be provided in line with challenging timescales, it was important that the Council maintained a focus on providing high quality accounts. Accordingly it was suggested that it remained one of the Key Issues where Audit Committee monitored the position on a regular basis. It was perhaps useful at this stage to recognise the key role of the accountancy team which had led in securing this improvement in the quality of the Council's accounts.

With regard to the value for money conclusion, there was still further work to be undertaken before the Council was in a satisfactory position. Whilst the issues identified were consistent with the Council providing value for money to local residents, further improvements were necessary to secure arrangements that were "good" rather than "fit for purpose". The issues identified were as follows:-

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The Council needed to continue with its programme of work in respect of the management of contracts to ensure that all outstanding issues were satisfactorily resolved. Although progress was being maintained, the most recent Internal Audit report continued to evaluate the internal controls operating in this area as being marginal. Appendix 1 outlined the steps that were being taken by Management in response to the issues that had been identified. Audit Committee should note that a further training session, led by the Procurement Team from the Chesterfield Royal Hospital, was scheduled to take place in the autumn with a total of six training sessions being provided for cost centre managers.

Whilst the Council continued to make good progress in protecting its financial resilience by securing its in year savings targets, the Medium Term Financial Plan continued to identify saving requirements on the General Fund in the order of £1m p.a. over the next two financial years. It was noted that progressing the economic development objective agreed by the Council would need to be effectively managed. In addition, the External Auditors report noted that the proposed changes concerning rent levels on social housing would have a detrimental impact on the financial sustainability of the HRA which needed to be addressed.

With regard to the report of the Head of the Internal Audit Consortium concerning progress on the 2015/16 Audit Plan, at what is the halfway stage of the year, the Council had already received three internal audit reports where the internal controls operating in a particular area of work had been assessed as marginal. Given that the Council only received a total of 3 marginal reports in both 2013/14 and 2014/15, this was a clear indication that continued work to maintain standards of internal control were needed.

With regard to the Strategic Issues agreed, these were summarised in a table in Appendix 1, together with an update of the current position. The responsibility for addressing these issues rested with the Chief Financial Officer together with the wider management team. Resolution of the issues was also dependent upon the active support of Elected Members. The role adopted by the Audit Committee had been one of monitoring and evaluating progress and, where appropriate, requiring and supporting further action from officers.

Members raised concern regarding the three marginal reports and a discussion took place.

Moved by Councillor K. Reid and seconded by Councillor M.J. Dooley
RESOLVED that the report be received.

0384. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS FINANCIAL OUTTURN 2014/15

Committee considered a report of the Executive Director – Operations, which provided the current position in respect of the Financial Outturn for 2014/2015.

The report had been presented to the Executive at its meeting on 13th July 2015 and to Budget Scrutiny Committee on 14th September for information. The report provided a greater level of detail than was provided within the Statement of Accounts.

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Moved by Councillor K. Reid and seconded by Councillor M.J. Dooley
RESOLVED that the report be noted.

0385. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS BUDGET MONITORING REPORT QUARTER 1ST APRIL TO JUNE 2015

Committee considered a report of the Executive Director – Operations in relation to the first quarter of budget monitoring for the period April 2015 to June 2015.

The report had been presented to the Executive on 7th September and Budget Scrutiny Committee on 14th September.

Although there was not yet any detail of the Council's General Fund settlement, the Government's 'austerity' agenda was likely to impact on the Housing Revenue Account with increased Right to Buy sales and 1% rent reductions per annum for the next four years.

Other impacts on the Council's financial position would arise from the National Living Wage and a series of welfare reforms which were likely to impact on homelessness, Discretionary Housing Payments and levels of arrears. It was also noted that the Government could amend the frameworks in respect of 'New Homes Bonus' and National Non Domestic Rates.

Moved by Councillor S.W. Fritchley and seconded by Councillor M.J. Dooley
RESOLVED that the report be noted.

0386. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS STRATEGIC RISK REGISTER

Committee considered a report of the Executive Director – Operations which updated Members on the current position regarding Risk Management. Members' approval was also sought for the revised Strategic Risk Register as at 30th June 2015 as part of the suite of Finance, Performance and Risk reports.

The Strategic Risk Register had been presented to the Executive on 7th September.

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

Members were asked to note that both the Risk Management Strategy and the Anti Fraud Strategy were in the process of being revised. It was proposed that the replacement strategies would be joint ones with North East Derbyshire District Council. While the Council's would share a Risk Strategy it was important to note that the

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Strategic and Operational Risk Registers would continue to be particular to each council as they needed to reflect the issues that each council faced individually.

Moved by Councillor M.J. Dooley and seconded by Councillor S.W. Fritchley
RESOLVED that the revised Strategic Risk Register at June 2015 be noted.

0387. DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT

Committee considered a report of the Assistant Director – Governance and Monitoring Officer relating to a revised draft framework for *Good Governance in Local Government* developed by CIPFA and SOLACE. The report had previously been considered by the Scrutiny Committee.

The document was used by the Council in the preparation of its annual governance statement and front facing local code of corporate governance. The annual governance statement was a key element of the statement of accounts which assessed the Authority's compliance with the key principles, behaviours and outcomes relating to good governance.

The document had been revised to take into account recent changes in the culture of local government and councils' views were sought on the draft framework and in particular to eleven questions in the document.

Draft responses to the questions had been given and committee were asked to consider the responses.

Moved by Councillor M.J. Dooley and seconded by Councillor S.W. Fritchley
RESOLVED that (1) the report be noted,

(2) the responses given to the draft consultation questions in the document be agreed.

(Assistant Director – Governance and Monitoring Officer)

The meeting concluded at 1440 hours.

Bolsover District Council

Audit Committee

14th December 2015

Summary of Progress on the 2015/16 Internal Audit Plan

This report is public

Purpose of the Report

- To present, for members' information, progress made by the Audit Consortium, during the period 5th September 2015 to 27th November 2015, in relation to the 2015/16 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 2015/16 Consortium Internal Audit Plan for Bolsover was reported to the Audit Committee on the 13th April 2015.
- 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 5th September 2015 – 27th November 2015, for audits included in the 2015/16 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:

- Debtors
- Procurement
- Expenses and Allowances
- Housing Repairs
- Pleasley Vale Outdoor Centre

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plans for 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 report is linked to Bolsover District Council's aims and objectives to provide customers with an excellent service.

8 Document Information

Appendix No	Title
Appendix 1	Summary of Internal Audit Reports Issued 5 th September – 27 th November 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 217547

JENNY WILLIAMS

INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM

BOLSOVER DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit Committee

Summary of Internal Audit Reports Issued – 5th September 2015 – 27th November 2015

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B008	Commercial Waste	To ensure that bills are raised promptly and accurately	Satisfactory	23/09/2015	14/10/2015	2 (1H 1L)	2
B009	Treasury Management	To ensure that loans and investments are made in line with the approved strategy	Good	1/10/2015	22/10/2015	0	0
B010	Recruitment and Selection	To ensure that there is an up to date strategy which is followed and that all appointments are made in line with this	Satisfactory	7/10/2015	28/10/2015	4M	4
B011	Council Tax	To ensure that all council tax bills are raised promptly and accurately and that debt recovery procedures are in place.	Good	21/10/2015	11/11/2015	0	0

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B012	Housing Rents	To ensure that housing rents are charged correctly and that there are appropriate debt recovery procedures in place	Good	4/11/2015	25/11/2015	0	0

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

Bolsover District Council

Audit Committee

14th December 2015

Revised Budget 2015/16

This report is public

Report of the Executive Director – Operations

Purpose of the Report

- To update Members of the Audit Committee concerning the Council's budget for the current financial year which was set out in the Revised Budget 2015/16 report which was taken to Executive on the 30th November 2015.

1 Report Details

Background

The Revised Budget 2015/16 was reported to Executive at its meeting of 30th November 2015. That Executive report is attached to this covering report for consideration by the Audit Committee.

2 Conclusions and Reasons for Recommendation

2.1 These are set out within the relevant section of the attached report.

Reasons for Recommendation

2.2 These are set out within the relevant section of the attached report.

3 Consultation and Equality Impact

3.1 These are set out within the relevant section of the attached report.

4 Alternative Options and Reasons for Rejection

4.1 These are set out within the relevant section of the attached report.

5 Implications

5.1 Finance and Risk Implications

These are set out within the relevant section of the attached report.

5.2 Legal Implications including Data Protection

These are set out within the relevant section of the attached report.

5.3 **Human Resources Implications**

These are set out within the relevant section of the attached report.

6 **Recommendations**

- 6.1 That the Audit Committee note the report concerning the Revised Budget 2015/16 and make any comments that they believe to be appropriate with regards to the position which was reported to Executive on 30th November 2015.

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	All
Links to Corporate Plan priorities or Policy Framework	All Priorities

8 **Document Information**

Appendix No	Title
1	Revised Budget (Executive 30 th November 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)	
Report Author	Contact Number
Executive Director Operations	2431

Bolsover District Council

Executive

30 November 2015

Revised Budgets 2015/16

Report of the Executive Director of Operations

This report is public

Purpose of the Report

- To inform Executive of the outcome of the revised budget process undertaken during October and November 2015.
- To seek approval for the Revised Budgets for the General Fund, Housing Revenue Account and Capital Programme in respect of 2015/16.

1 Report Details

General Fund Revenue Account

- 1.1 The revised budget process is now complete and the proposed revised budget for 2015/16 for the General Fund is attached at **Appendix 1**. The appendix shows the Original Budget for 2015/16 which was agreed in February 2015, the Current Budget, which reflects budget transfers and approved changes during the financial year, and the proposed Revised Budget for 2015/16. The revised budget shows that the Net Cost of Services has increased to £10.060m which is £1.103m above the Original Budget figures. These increased costs reflect the impact of S106 and other expenditure funded by specific grants and reserves which have been incorporated into the current years budget. This additional expenditure is offset by a corresponding increase in funding.
- 1.2 In developing these Revised Budgets the budget managers have been consulted and are in agreement of the budget changes proposed. The Revised Budget has also been developed in the light of a clear objective not to propose any budget changes that have a significant adverse impact on the service provision being delivered to local residents. **Appendix 2** shows the net cost of each cost centre by Directorate.
- 1.3 As a result of the Revised Budget Exercise financial savings amounting to some £1.047m have been identified. These have arisen from three main areas:
 - Across the Council's General Fund expenditure there has been a reduction of expenditure of some £0.342m between the Current and the Revised Budget.
 - There has been a reduction in Debt Charges of some £0.601m. This reduction has arisen from the fact that a capital receipt in excess of £6m was received related to the disposal of Sherwood Lodge. This receipt was secured after the agreement to the 2015/16 budget and as a result the Council has been able to secure a

significant reduction in both its principal repayments and its interest costs which are reflected in the Revised Budgets for 2015/16.

- Finally, the Council has secured an increased income from being a member of the Derbyshire NNDR Pool of £0.256m. While an additional income of £0.2m was originally anticipated from this source this has increased as a result of economic growth, whilst at the time of setting the original budget it was considered likely that some of this funding would need to be allocated to County Wide economic development initiatives.
- While the above set out the major variations they are partially offset by a range of other changes to produce a net saving on the Council's budget of the £1.047m identified above. While some of these savings will be available to assist the position in future financial years not all represent an underlying reduction in the level of the Council's expenditure and further savings will be necessary in order to secure balanced budgets over the period of the coming Medium Term Financial Plan (2016/17 to 2018/19).

1.4. As part of the process of agreeing the Council's financial accounts for the current financial year it will be necessary to allocate this surplus into the Council's Reserves and Balances. It is therefore proposed that we increase the General Fund Balance by a figure of some £0.3m up to a total of £2m. Given the greater level of uncertainty around the funding streams that are available to local government it is appropriate that we hold sufficient funding in the General Fund to enable the Council to manage unanticipated reductions in income or increases in expenditure without these impacting immediately upon the services provided to local residents. The remainder of the surplus will be transferred to the Transformation Reserve where it will be available to fund the Council's priorities of Growth and Transformation. All proposals to utilise either General Fund or Transformation Reserve will be subject to formal Member approval. In addition to the surplus projected to arise in the current year the Council also received Efficiency Grant of some £1.064m. As part of the MTFP approved in February 2015 it was agreed that this be transferred to the Transformation Reserve where it would be available to fund 'Invest to Save' schemes in line with the original conditions of the Efficiency Grant.

1.5. The position in respect of the General Fund Balance and the Transformation Reserve is outlined in the table below:

	General Fund Balance £	Transformation Reserve £
Opening balance 1/4/15	(1,700,000)	(4,897,941)
Commitments for all years, revenue and capital	0	3,094,781
Transfers to reserve in year	(300,000)	(1,811,262)
Estimated closing balance 31/3/16	(2,000,000)	(3,614,422)

Executive should note that the two reserves detailed above effectively represent the level of non earmarked funding that is available to the Council in respect of its General Fund. Given that the General Fund Balance is the funding of 'last resort' designed to protect service delivery in the event of an unexpected income shortfall or expenditure increase this in reality is not funding that is available to spend. The estimated closing balance on the Transformation Reserve of some £3.614m is therefore the funding that is available to support priority Growth and Transformation initiatives on an Invest to Save basis.

- 1.6. The actual surplus for the year will clearly be dependent on the actual financial performance out-turning in line with the revised budgets. On the basis of current evidence there remains a reasonable level of unspent funding in departmental budgets and officers have continued to adopt prudent assumptions with respect to income streams, etc. These all suggest that further savings will be secured at the year end, although this could be offset by restructuring or other cost increases.

Housing Revenue Account (HRA)

- 1.7 The Housing Revenue Account revised budget proposal is set out in **Appendix 3** to this report.

Income

- 1.8 Rental income is shown as £0.261m lower than the current budget which is mainly due to the level of void properties being higher than anticipated. Income for special services is lower than the current budget by £0.022m. The Council has seen a reduction in contributions towards expenditure of £0.037m as a result of new contractual service payments agreed with Derbyshire County Council for Supporting People. This is an ongoing reduction which will also be reflected in future budgets.

Expenditure

- 1.9 The HRA expenditure is mainly within budget showing a reduction in expenditure of £0.350m against the Current Budgets. The main changes are a recommended reduction in Repairs and Maintenance budgets of some £0.125m, together with a reduction in the provision for bad debts accounts for £0.100m.
- 1.10 Taking account of the proposed budget changes detailed above, the HRA is anticipated to deliver a surplus in the current financial year of £0.010m, which is £0.005m lower than the current budget for 2015/16. That will leave a working balance at the year end of £1.891m.

Capital Programme

- 1.11 The Council's capital programme is detailed in **Appendix 4**. It has been updated from the Original Budgets to the Revised Budgets to reflect approvals within the year, slippage from 2014/15 and the profiling of expenditure on the individual schemes following changes approved by Members. As part of the revised budget process officers have taken a view of the likely level of spend in the current financial year and have adjusted the recommended budget accordingly. This reflects the work that has been undertaken to provide more accurate details as to whether work will be undertaken in 2015/16 or in future financial years.

- 1.12 The changes that are shown in the Revised Capital Programme Budgets require that the financing is adjusted accordingly to meet the anticipated spend. There are no issues to report with regard to the financing of the 2015/16 capital programme.

2 Conclusions and Reasons for Recommendation

- 2.1 This report proposes Revised Budgets for the current financial year (2015/16) in respect of the Council's three main accounts. In respect of the Council's General Fund a significant level of potential underspend has been identified, whilst the Housing Revenue Account is proceeding in line with the previously Approved Programme. While in the case of the Capital Programme a significant level of expenditure is now anticipated to take place during next financial year rather than in the current year this is not considered to amount to a fundamental change in the Programme. On the basis that the actual outturn position reflects the Revised Budget this will represent a good achievement for the Council demonstrating effective financial management and an ability to continue to operate effectively against the background of the austerity agenda.
- 2.2 By bringing forward Revised Budgets at this stage in the year Members are made aware of the Council's financial position, whilst by formally agreeing Revised Budgets any efficiency savings can be secured for future reallocation.

3 Consultation and Equality Impact

- 3.1 There are no consultation and equality impact implications arising directly from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 This report is intended to update Members concerning the Council's financial performance in respect of the current financial year (2015/16). As such it is monitoring against previously agreed budgets and there is no requirement to consider any other options at this stage. This report is, however, effectively the starting point for the work on next years budget (2016/17) and upon the Medium Term Financial Plan covering the period to March 2019. As part of the agreement to those future years budgets Members will have a range of options for consideration.

5 Implications

5.1 Finance and Risk Implications

- Financial issues are covered through this report. In addition to the issues which have been previously considered it should be noted that the preparation of the 2015/16 Revised Budget is a key part of the process in developing the budgets in respect of both 2016/17 and future financial years. Having undertaken this work Officers are now in a good position to develop the expenditure budgets for future financial years which are necessary in order to deliver both the Council's Corporate Plans and its service plans. Further work on the budgets for future years is now dependent upon receiving the detailed financial settlement in respect of Bolsover District Council which will follow on from the Chancellor's Autumn Statement. Whilst the headline details of the Autumn Statement will be

available on 25th November 2015, the detail at individual local authority level is not anticipated until mid December 2015.

- With respect to risk it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. On the basis of the information provided within this report it is reasonable to assume that the Council has continued to manage this risk effectively during the current financial year.

5.2 Legal Implications including Data Protection

There are no legal issues arising directly from this report.

5.3 Human Resources Implications

There are no human resource implications arising directly out of this report.

6 Recommendations

- 6.1 That Executive approves the Revised General Fund operational budget for 2015/16 as set out in **Appendix 1** and detailed in **Appendix 2**.
- 6.2 That Executive approves the Revised HRA operational budgets for 2015/16 as set out in **Appendix 3**.
- 6.3 That Executive approves the Revised Capital Programme for 2015/16 as set out within **Appendix 4**.

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	Providing our customers with excellent service. Transforming our organisation.

8 **Document Information**

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	HRA
4	Capital
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)	
Budget Working Papers	
Report Author	Contact Number
Chief Accountant	2458

Bolsover District Council

Audit Committee

14th December 2015

STRATEGIC RISK REGISTER

This report is public

Report of the Executive Director – Operations

Purpose of the Report

- To update Members of the Audit Committee concerning the Council's Strategic Risk Register as at 30th September 2015..

1 Report Details

Background

The Strategic Risk Register as at September 2015 was provided to Executive at its meeting of 30th November 2015. That Executive report is attached to this covering report for consideration by the Audit Committee.

2 Conclusions and Reasons for Recommendation

2.1 These are set out within the relevant section of the attached report.

Reasons for Recommendation.

2.2 These are set out within the relevant section of the attached report.

3 Consultation and Equality Impact

3.1 These are set out within the relevant section of the attached report.

4 Alternative Options and Reasons for Rejection

4.1 These are set out within the relevant section of the attached report.

5 Implications

5.1 Finance and Risk Implications

These are set out within the relevant section of the attached report.

5.2 Legal Implications including Data Protection

These are set out within the relevant section of the attached report.

5.3 **Human Resources Implications**

These are set out within the relevant section of the attached report.

6 **Recommendations**

- 6.1 That the Audit Committee note the report concerning the Strategic Risk Register as at Sept 2015 and make any comments that they believe to be appropriate with regards to the position which was reported to Executive on 30th November 2015.

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	All
Links to Corporate Plan priorities or Policy Framework	All Priorities

8 **Document Information**

Appendix No	Title
1	Strategic Risk Register (Executive 30 th November 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)	
Report Author	Contact Number
Executive Director Operations	2431

Bolsover District Council

Executive

30th November 2015

Strategic Risk Register

Report of the Executive Director - Operations

This report is public

Purpose of the Report

- To update Members concerning the current position regarding Risk Management and to seek approval for the revised Strategic Risk Register as at 30th September 2015, as part of the suite of Finance, Performance and Risk reports.

1 Report Details

Background

- 1.1. The Council's Strategic Risk Register has been developed in the light of consideration of the strategic and operational risks which have been identified by Elected Members and Officers as part of the Council's service management and quarterly performance arrangements.
- 1.2. In its approach to Risk Management the Council is seeking to secure a number of objectives and to operate in line with recognised best practice. In order to appreciate the importance of Risk Management it is useful to reiterate these objectives:
 - To improve the way in which the Council manages its key risks so as to reduce the likelihood of them happening, and to mitigate their impact or magnitude in those cases where they do materialise. This is a key element in protecting service delivery arrangements, the financial position and the reputation of the Council.
 - To strengthen the overall managerial approach of the Council. From a Governance perspective the effective operation of Risk Management is regarded as being a key element of the managerial framework operating within an authority.
 - Effective Risk Management is a key component in ensuring that organisations are able to achieve their objectives, and that key projects proceed in line with plan.

- The identification of the risks attached to existing service delivery, or to a project or new initiative is important both to allow a fully informed decision to be made, and to ensure that all appropriate measures to mitigate (or reduce) the risk are in place from the outset.
- Finally, an appreciation of the risk environment within which the Council operates assists in determining an appropriate level of financial reserves for sound financial management, and ensures that the organisation has a good awareness of its overall risk exposure.

2. The Strategic Risk Register

2.1. The revised Strategic Risk Register as at 30th September 2015 is set out in **Appendix 1** for consideration by Executive. The intention is that this review of the Register will secure the following objectives:

- Identify any newly emerging risks which need to be added to the Register and removing any risks that have been resolved. An ongoing review of the Strategic Risk Register ensures that a focus is maintained on current risks.
- Revising the Risk Register ensures that existing risks are reviewed, that appropriate mitigation remains in place, and where necessary risk assessment is revisited.
- The process also allows appropriate consideration to be given to the success of existing mitigation, and to the issue of whether any further mitigation is required.
- The Strategic Risk Register as set out in **Appendix 1** is structured so that those risks with the highest risk score are detailed first.

2.2. In overall terms a key element which emerges from the Strategic Risk Register is one of an ongoing requirement to maintain our current performance in respect of service delivery, performance and governance to local residents. The current position, however, needs to be maintained at a time when it is increasingly necessary to manage the Council's finances in a more pro active way in order to ensure that our expenditure remains in line with the level of our resources at a time of declining financial support from central government. Alongside the declining level of central government financial support there has been a significant amount of legislation which impacts directly on local government. Both these factors are anticipated to entail some significant changes in the manner in which our services to local residents are delivered with the level of change required clearly having the potential to disrupt service provision with the associated risks that such disruption entails.

2.3. During the recent round of Quarterly Performance meetings the issue of the loss of key staff and the difficulties being experienced in finding suitable replacements was a widespread concern expressed by managers. While a limited number of services are experiencing significant problems it is clear that all areas of work are now finding it difficult to attract suitable candidates at a time when we are facing

increased staff turnover. This issue was already included within the Strategic Risk Register and is detailed as Item 3 within Appendix 1.

- 2.4. In order to develop the understanding of risk throughout the organisations a series of training sessions for senior managers which covered the issue of Risk Management have been held in both the summer of 2014 with further training in the Autumn of 2015. Likewise, as part of the Budget Scrutiny Meeting on 14th September 2015 there was a presentation to Members concerning Risk Management.

3 Conclusions and Reasons for Recommendation

- 3.1 The Strategic Risk Register is intended to highlight those areas where the Council needs to manage its risks effectively. One of the key purposes of this report is to set out the risks that have been identified (see Appendix 1) and to encourage both Members and Officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers actively cover all of the issues facing the Council.

Reasons for Recommendation.

- 3.2 To enable Executive to consider the risks identified within the Strategic Risk Register in order to assist in maintaining effective governance arrangements, service and financial performance.

4 Consultation and Equality Impact

Consultation

- 4.1 There are no issues arising from this report which necessitate a formal consultation process.

Equalities

- 4.2 There are no equalities issues arising directly out of this report.

5 Alternative Options and Reasons for Rejection

- 5.1 Under the relevant good practice and to facilitate the development of robust managerial arrangements the Council is required to prepare a Strategic Risk Register as part of its risk management framework. This report is in part intended for Members and Officers to consider whether the Council has adopted an appropriate approach to its management of risk. Given that this report is part of the approach to help ensure the effective management of risk there is not an alternative to the presentation of this report.

6 Implications

6.1 Finance and Risk Implications

Financial

There are no additional financial implications arising out of this report at this stage. While where appropriate additional mitigation measures have been identified and implemented

during the course of preparing the Strategic and Operational Risk Registers, the cost of implementing this mitigation will be met from within previously agreed budgets.

Risk

Risk Management Issues are covered throughout the body of the main report.

6.2 Legal Implications including Data Protection

There are no legal or data protection issues arising directly out of this report.

6.3 Human Resources Implications

There are no human resource issues arising directly out of this report.

7 Recommendations

- 7.1 That Executive approves the Strategic Risk Register as at 30th September 2015 as set out in Appendix 1.

8 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 Governance (including Risk Management) arrangements underpin the effective operation of the Council and its ability to secure all of the Corporate Plan priorities.

9 Document Information

Appendix No	Title
1	Strategic Risk Register as at 30 th September 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)	
Report Author	
Contact Number	
Executive Director – Operations	2431

STRATEGIC RISK REGISTER SUMMARY AS AT: 30th September 2015

	Risk	Consequences	Risk Score (Likelihood Impact) x	Risk Score (Likelihood Impact) Taking Account Controls x into Current	Risk Owner / Lead Officer
1	Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are at relatively low levels.	<ul style="list-style-type: none"> Impact upon ability to deliver current level of services. Unable to resource acceptable levels of service. Significant adverse reputational Impact. 	4,4 16	3,4 12	SAMT / Chief Financial Officer / Political Leadership
2	Adverse external economic position / government legislation, welfare reform etc. has an accelerating impact on Council (poor grant settlement), or upon the local economy (employment losses / welfare reform), to which Council is unable to adopt an appropriate change of Strategic direction. An increase in policy announcements / legislative changes has been seen following the May 2015 election.	<ul style="list-style-type: none"> Unable to deliver a package of services that meet changing local needs and aspirations. Unable to effectively support local communities. Increased demands on Council services at a time when Council resource base is reducing. 	4,4, 16	3,4 12	SAMT / Political Leadership

3	It becomes increasingly difficult to recruit to key posts or to replace key staff who leave. Staff morale is adversely affected by as a result of pace of change, tightening financial circumstances or external circumstances.	<ul style="list-style-type: none"> • Deterioration in services to the public. • Increasing inefficiencies in service provision. • Weakening of Internal Control arrangements. • Increased pressure on other members of staff. 	4,4 16	3,4 12	SAMT / Asst Director HR
4	Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives inc projects to deliver the priorities of the Growth and Transformation agenda, HRA reform, Asset Management securing major financial savings and implementing a range of new government reforms whilst maintaining service quality, which may overstretch our reduced organisational capacity.	<ul style="list-style-type: none"> • New initiatives are not delivered in a cost-effective manner. • Significant failings arise in the delivery of key projects. • Failure to maintain / improve services in line with local aspirations. • Failure to generate the savings required to balance the budget. • Financial efficiencies weaken Governance / Internal Control arrangements. • Service deterioration / failure arising from capacity issues. 	4,4 16	3,4 12	SAMT / Chief Executive
5	Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc.	<ul style="list-style-type: none"> • Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire). 	3,5 15	2,5 10	SAMT / Director of Transformation

		<ul style="list-style-type: none"> • Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. • Business Continuity Plans prove ineffective in practice. 			
6	Lack of strategic direction from Members / Corporate Management, external partners change Strategic direction.	<ul style="list-style-type: none"> • Failure to deliver high quality services which address national and local priorities. • Deterioration in Governance Arrangements. • Refocus of current services necessary with associated disruption. 	3,4 12	3,3 9	Chief Executive / Political Leadership Team
7	A major operational or failure of data protection risk materialises resulting in a significant impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date this is considered to be an increasing issue for the Council.	<ul style="list-style-type: none"> • Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents. • Significant staff and financial resources required to resolve position, impacting on other services. • A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery. 	3,4 12	2,4 8	SAMT / Assistant Directors

8	Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment.	<ul style="list-style-type: none"> • Adverse Impact upon Service Quality. • Failure to deliver high quality services which address national and local priorities. • Significant adverse reputational impact. 	3,4 12	2,4 8	Chief Financial Officer / Monitoring Officer
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Bolsover District Council**Audit Committee****14th December 2015****Draft Risk Management Strategy (Including Partnership Working Strategy)****Report of the Executive Director Operations**

This report is public

Purpose of the Report

- To enable Members of the Audit Committee to consider the proposed Risk Management and Partnership Working Strategy and to raise any issues which they consider to be appropriate.

1 Report Details

1.1 The Audit Committee plays a key role in the governance arrangements of any local authority. As part of its role at Bolsover District Council it has a clear responsibility in the Council's Constitution for ensuring that the Council has appropriate risk management arrangements in place. One key element of effective financial Governance is that the Council has appropriate arrangements in place in respect of Risk Management and Partnership working including:

- A clear policy statement setting out the Council's approach to Risk Management and Partnership working. This policy statement needs to be reflected in the wider culture of the Council.
- Take steps to promote effective management of both Risk and Partnership arrangements.
- Ensure that appropriate reporting arrangements are in place

1.2 The Council currently has in place a Risk Management and Partnership Working policy in place. This document seeks to update that policy to reflect changes in good practice and it is to be launched as a Joint Strategy across the two Councils within the Strategic Alliance. As part of the consultation route it will be considered by Senior Management Team, and by the Strategic Alliance Joint Committee before being approved by Executive (BDC) and Cabinet (NEDDC). The launch will be supported by awareness sessions for both Officers and Elected Members, while the consultation process around the Strategy will serve to improve awareness throughout both Council's. As part of this Consultation process the Audit Committee is requested to consider the draft Risk Management and Partnership Working Strategy attached at Appendix 1 and to make any comments that it considers appropriate.

2 Conclusions and Reasons for Recommendation

2.1 To enable that the Audit Committee to consider the draft Risk Management and Partnership Working Strategy attached at Appendix 1 and to make any comments that it considers appropriate.

3 Consultation and Equality Impact

3.1 There are no issues arising directly from this report.

4 Alternative Options and Reasons for Rejection

4.1 Given that the Council is committed to both effective management and to effective partnership working it is important that we maintain an up to date policy which helps ensure that this policy commitment is secured in practice. Given this policy commitment there is no realistic alternative other than to agree an appropriate Strategy designed to set out how the Council will ensure that the impact of fraud and related activities upon the Council is minimised.

5 Implications

5.1 Finance and Risk Implications

Financial and Risk issues are covered in the Strategy which is attached as Appendix 1 to this report.

5.2 Legal Implications including Data Protection

There are no legal or data protection issues arising directly out of this report.

5.3 Human Resources Implications

There are no issues arising directly from this report.

6 Recommendations

6.1 That the Audit Committee consider the Draft Risk Management and Partnership Working Strategy attached at Appendix 1 and to make any comments that it considers appropriate.

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	Not Directly
Links to Corporate Plan priorities	All

or Policy Framework	
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8 Document Information

Appendix No	Title
1	Draft Risk Management Strategy (including Partnership Working Strategy).
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)	
Report Author	Contact Number
Bryan Mason Executive Director Operations	01246 217154

Bolsover District Council

Audit Committee

14th December 2015

Draft Anti–Fraud, Bribery and Corruption Strategy (including Money Laundering Policy)

Report of the Executive Director Operations

This report is public

Purpose of the Report

- To enable Members of the Audit Committee to consider the proposed Anti Fraud Strategy and to raise any issues which they consider to be appropriate.

1 Report Details

1.1 The Audit Committee plays a key role in the governance arrangements of any local authority. As part of its role at Bolsover District Council it has a clear responsibility in the Council's Constitution for ensuring that the Council has appropriate financial governance arrangements in place. One key element of effective financial Governance is that the Council has appropriate arrangements in place in respect of Fraud including:

- A clear policy statement setting out the Council's values of a zero tolerance of fraud, corruption, bribery and related misuse of public funds. This policy statement needs to be reflected in the wider culture of the Council.
- Take steps to promote the prevention of fraud and related activities.
- Put procedures and resources in place which promote the detection of fraud.
- Ensure that measures are taken and remain in place which deters all those connected with the Council (Employees, Elected Members, Suppliers, local residents, Partnership organisations) from committing fraud, accepting or offering bribes, or any involvement in corruption.
- Establish appropriate procedures for ensuring effective investigation action where fraud is suspected.

1.2 The Council currently has in place an anti fraud policy previously agreed in the 2012. This document seeks to update that policy to reflect changes in good practice and it is to be launched as a Joint Strategy across the two Council's within the Strategic Alliance. As part of the consultation route it is being considered by Senior Management Team, and by the Strategic Alliance Joint Committee before being approved by Executive (BDC) and Cabinet (NEDDC). The launch will be supported by awareness sessions for both Officers and

Elected Members, while the consultation process around the Strategy will serve to improve awareness throughout both Council's. As part of this Consultation process the Audit Committee is requested to consider the draft Anti Fraud, Bribery and Corruption Strategy attached at Appendix 1 and to make any comments that it considers appropriate.

2 Conclusions and Reasons for Recommendation

- 2.1 To enable that the Audit Committee to consider the draft Anti Fraud, Bribery and Corruption Strategy attached at Appendix 1 and to make any comments that it considers appropriate.

3 Consultation and Equality Impact

- 3.1 There are no issues arising directly from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 Given that the Council is committed to a policy of zero tolerance of Fraud it is important that we maintain an up to date policy which helps ensure that this policy commitment is secured in practice. Given this policy commitment there is no realistic alternative other than to agree an appropriate Strategy designed to set out how the Council will ensure that the impact of fraud and related activities upon the Council is minimised.

5 Implications

5.1 Finance and Risk Implications

Financial issues are covered in the Strategy which is attached as Appendix 1 to this report.

If the Council is not successful in operating in a manner which minimises fraud, corruption and related activity there is a significant risk of a critical public response which will undermine the reputation of the Council. Fraud and Corruption bring with them major issues of public credibility which could undermine the ability of the Council to continue to operate effectively.

5.2 Legal Implications including Data Protection

Fraud, Bribery, Corruption and Money Laundering are all criminal activities. This policy is intended to minimise the risk that this Council suffers as a result of such activity, or that the Council is unwittingly used to undertake or assist such activity.

There are no data protection issues arising directly out of this report.

5.3 Human Resources Implications

There are no issues arising directly from this report.

6 Recommendations

- 6.1 That the Audit Committee consider the Draft Anti Fraud, Bribery and Corruption Strategy attached at Appendix 1 and to make any comments that it considers appropriate.

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	Not Directly
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Draft Anti Fraud, Bribery and Corruption Strategy (including Money Laundering Policy).
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)	

Report Author	Contact Number
Bryan Mason Executive Director Operations	01246 217154

Bolsover District Council

AUDIT COMMITTEE

14th DECEMBER 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. At its previous meeting this Committee considered the report from the external auditor (KPMG) concerning the 2014/15 Financial Statements and related issues, while elsewhere on this agenda is the Annual Audit letter. Also elsewhere on this Agenda is a report from Internal Audit concerning progress on the Internal Audit Plan. The outcome of those reports is reflected within this report. The Key Issues of Financial Governance are set out in Appendix 1 which in the view of the Chief Financial Officer constitute the main Strategic Issues of Financial Governance currently facing the Council.
- 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 2014/15 Audit. The key messages from that report concern firstly the quality of the Statement of Accounts where the external auditors were in a position to issue an unqualified opinion on the Statement of Accounts by the 30th September. Secondly, the auditors concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. While the overall conclusions are a satisfactory outcome it is important to consider the report in more detail in order to identify those areas where improvement is required and to clarify where we need to make efforts to ensure that existing standards are maintained.

- 1.3. As regards the Council's accounting arrangements at this stage the main objective appears to be that of maintaining current standards. Given that the Statement of Accounts is a key document for the Council which needs to be provided in line with challenging timescales it is important that the Council maintains a focus on providing high quality accounts. Accordingly it was agreed at the previous meeting of this Committee that the position would continue to be monitored on a regular basis. It is important to recognise the key role of the accountancy team which has led in securing this improvement in the quality of the Council's accounts.
- 1.4. With regard to the value for money conclusion there is still further work to be undertaken before the Council is in a satisfactory position. Whilst the issues identified are consistent with the Council providing value for money to local residents further improvements are necessary to secure arrangements that are "good" rather than "fit for purpose". The issues identified are as follows:
- 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. Although progress is being maintained the most recent Internal Audit report continues to evaluate the internal controls 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. Audit Committee should note that a further training session led by the Procurement Team from the Chesterfield Royal Hospital has now taken place with a total of six training sessions being provided for cost centre managers.
 - While the Council continues to make good progress in protecting its financial resilience by securing its in year savings targets the Medium Term Financial Plan continues to identify savings requirements on the General Fund in the order of £1m p.a. over the next two financial years. It is noted that progressing the economic development objective agreed by the Council will need to be effectively managed. In addition the External Auditors report notes that the proposed changes concerning rent levels on social housing will have a detrimental impact on the financial sustainability of the HRA which need to be addressed.
- 1.5. In addition to the issues raised within the External Auditors report the Audit Committee will also have noted the report on the Head of the Internal Audit Consortium concerning the progress on the 2015/16 Audit Plan. At this stage of the year the Council has already received three internal audit reports where the internal controls operating in a particular area of work have been assessed as marginal. Given that the Council only received a total of 3 marginal reports in both 2013/14 and 2014/15 this is a clear indication that we need to continue to work to maintain standard of internal control. As requested at the previous meeting of this Committee the Director of Operations will update Members on progress in implementing the recommendations arising from the Internal Audit report on Health and Safety.
- 1.6. With regard to the Strategic Issues that have been agreed these are summarised in the table below (Appendix 1) 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 together 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.

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 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 Update
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 :

“Report to those Charged with Governance 2014/15 ISA 260” (Audit Committee 23rd September 2015).

“Annual Audit Letter” (Audit Committee 14th December 2015).

Internal Audit Consortium:

“Summary of Progress on the 2015/16 Internal Audit Plan” (Audit Committee 14th December 2015).

Report Author	Contact Number
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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 achieved its full targeted level of savings in respect of 2014/15 and on the basis of current information will secure a balanced budget in respect of the current financial year. However, the shortfalls in respect of 2016/17 and 2017/18 are both anticipated to be in the region of £1m. The position in respect of these latter years is made more difficult by the fact that the actual grant settlement is not anticipated until late December 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>In addition to the position in respect of the General Fund as outlined above the Council in common with all social landlords will be required to implement a 1% p.a. rent reduction over the next four years. This policy together with changes in right to buy and the welfare system will have a detrimental impact on the Council's HRA and we will need to ensure that a robust 30 year business plan remains in place.</p> <p>Progress in both these areas will continue to be reported as part of the Council's quarterly budget monitoring process.</p>
<p>2. To improve the Council's Internal Control arrangements.</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>Comprehensive training programme have delivered to all cost centre managers during the summer of 2014, with a further programme during the autumn of 2015.</p> <p>Progress reports from the Head of Internal Audit to this Committee will continue to highlight where areas have been assessed as marginal in respect of internal control.</p>
<p>3. 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"> • Two training programmes including a significant element concerning procurement contracts have been delivered.

	<ul style="list-style-type: none"> • 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 are being implemented. • Procurement issues will continue to be a standing item within the Quarterly Finance, Risk and Performance meetings.
<p>4. To consolidate the improvement that has been secured in the Council's financial reporting arrangements with respect to the Council's published accounts.</p>	<p>The Council has continued to improve the quality of its financial accounts with the Audit report in 2014/15 indicating that our arrangements are robust. That standard needs, however, to be maintained which will require appropriate training and development arrangements.</p> <p>The position will continue to be monitored as part of the Key Issues of Financial Governance report.</p>