

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.