

# AUDIT COMMITTEE

## AGENDA

**Tuesday 12<sup>th</sup> April 2016 at 1400 hours in the Council Chamber, The Arc, Clowne**

Item No.		Page No.(s)
<b>PART 1 – OPEN ITEMS</b>		
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 18th January 2016.	4 to 9
5.	<b>Reports of the External Auditor (KPMG);</b> External Audit Plan 2015/16: March 2016.	10 to 24
6.	<b>Reports of the External Auditor (KPMG);</b> External Audit Progress Report and Technical Update: March 2016.	25 to 47
7.	<b>Reports of the Internal Audit Consortium;</b> Internal Audit Plan 2016/17.	48 to 69
8.	<b>Reports of the Internal Audit Consortium;</b> External Review of Internal Audit.	70 to 73
9.	<b>Reports of the Internal Audit Consortium;</b> Summary of Progress on the 2015/16 Internal Audit Plan.	74 to 78
10.	<b>Reports of the Executive Director – Operations;</b> Revised Final Accounts Closedown Timetable.	79 to 81

11.	<b>Reports of the Executive Director Operations</b> Audit Committee Work Programme 2016/17	82 to 84
12.	<b>Reports of the Executive Director Operations</b> Key Issues of Financial Governance.	85 to 90
13.	<b>Reports of the Executive Director – Operations;</b> Local Government Budget Survey.	91 to 130

## **AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Chamber Suite 3 on Monday 18<sup>th</sup> January 2016 at 1400 hours.

### **PRESENT:-**

Independent Member:-

Mr J. Yates in the Chair

Members:-

Councillors J.A. Clifton (to Minute No. 0703), S.W. Fritchley, D. McGregor and K. Reid.

Officers:-

B. Mason (Executive Director – Operations), J. Williams (Head of Internal Audit), D. Clarke (Assistant Director – Finance, Revenues & Benefits) and A. Bluff (Governance Officer).

### **0698. APOLOGIES**

Apologies for absence were received on behalf of Councillors A. Syrett and M.J. Dooley and T. Crawley (Audit Team Lead – KPMG) and K. Meats (Audit Manager – KPMG).

### **0699. URGENT ITEMS OF BUSINESS**

There were no urgent items of business to consider.

### **0700. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **0701. MINUTES – 14TH DECEMBER 2015**

It was noted that Minute 0625 – Strategic Risk Register, should state that Councillor D. McGregor moved the resolution and not Councillor B.R. Murray-Carr who was not at the meeting.

Moved by Councillor K. Reid and seconded by Councillor D. McGregor

**RESOLVED** that subject to the above amendment the minutes of an Audit Committee meeting held 14th December 2015 be approved as a true record.

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### **0702. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS; MEDIUM TERM FINANCIAL PLAN 2016/17 TO 2018/19**

Committee considered a detailed report of the Executive Director – Operations in respect of the Medium Term Financial Plan (MTFP) 2016/17 to 2018/19, which outlined the Council's budget process and financial position in relation to the General Fund, the Housing Revenue Account and the Capital Programme. The report would also be presented to Executive on 1<sup>st</sup> February and Council on 3rd February 2016.

The estimated outturn for 2015/16 showed a surplus of £1.317m. The budget in respect of 2016/17 highlighted a shortfall of £0.057m and thereafter of £1.4m in 2017/18.

With regard to New Homes Bonus, the Government was proposing a reduction in the payment period from 6 to 4 years and introducing more targeted incentives.

The Council had been successful with regard to increasing business rate income but in the longer term the Government is looking at localisation of NNDR which may be less favourable. .

Some final work was required on the NNDR1 form which would need to be completed by the end of January. It was also noted that there were a number of appeals outstanding in relation to NNDR.

Quarterly Performance Meetings had noted that staffing levels were streamlined as far as possible and vacancy savings were no longer seen as an option for delivering significant savings. .

On the Local Council Tax the payment from the District to the Town and Parish Council's had been funded by the Government through Revenue Support Grant. As the recent financial settlement had confirmed that RSG would be phased out by March 2019, the subsidy would increasingly fall upon the District Council to fund. Given the level of funding reduction the Council is facing the report questioned the affordability of continuing with this subsidy.

A discussion took place around New Homes Bonus which was awarded to Councils' subject to their Local Plan. The Executive Director – Operations noted that the consultation deadline for New Homes Bonus was 10<sup>th</sup> March 2016 and the Assistant Director - Planning and Environmental Health would respond to the consultation exercise in consultation with the Leader of the Council.

A short discussion took place around the Council's Transformation Programme which set out all of the Council's transformation schemes which the Efficiency Support Grant sustained.

In response to a Member's query regarding council tax increase, the Executive Director – Operations replied that the Government had allowed those councils with responsibility for adult social care to apply an extra 2% increase to their council tax – county councils and unitary councils could apply an extra 4%. The District Council Network had provided a response which challenged a number of the principles set out within the Consultation Paper.

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In response to a Member's queries regarding the Handy van Service and the Council's need for agency workers and commercial advertising, the Executive Director – Operations replied that the Handy van Service was funded by the County rather than by the District Council. The Executive Director understood that the County Council was looking at how to deliver the service against a background of the requirements for significant financial savings. . The Council only employed agency workers in those areas where it was difficult to acquire trained staff or where there was a pressing service delivery requirement to be met. For example, Streetscene when operators were on sick leave. No income targets had been assumed in respect of commercial advertising and where it was utilised in such areas as property then the costs were met from the increased income arising from higher levels of letting.

The Executive Director noted that the Council had achieved reasonable progress over the previous 12 months; the Council's financial position was good, performance against the corporate plan was good, construction of the enhanced leisure facilities at Clowne were underway, while progress had been secured in respect of both Pleasley Vale and the Sherwood Lodge site.

Moved by J. Yates and seconded by Councillor J.A. Clifton  
**RESOLVED** that the report be noted.

Councillor Clifton left the meeting at this point.

### **0703. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS; ACCOUNTING POLICIES 2015/16**

Committee's approval was sought for the adoption of the proposed accounting policies, for the current financial year, in the preparation of the Statement of Accounts 2015/16.

The Accounting Policies adopted by the Council determined the accounting treatment that was applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determined the specific principles, bases, conventions, rules and practices that would be applied by the Council in preparing and presenting its financial statements. The accounting policies themselves were published within the Statement of Accounts in accordance with the Code of Practice on Local Government Accounting and incorporated the requirements of International Financial Reporting Standards (IFRS).

The approval of the accounting policies to be applied by the Council demonstrates that due consideration has been given to which policies to adopt and apply and ensures that those charged with corporate governance are fully informed prior to the commencement of the Statement of Accounts preparation of the policies that were being adopted.

As the Statement of Accounts for 2015/16 were prepared it may become necessary to amend a policy in order to adopt a more appropriate accounting policy. If this occurs the change and the reason for the change would be reported back to the Audit Committee at its meeting in June 2016, prior to the publication of the Statement of Accounts.

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

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**RESOLVED** that (1) the Accounting Policies detailed at Appendix 1 to the report be approved,

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

(Executive Director – Operations)

### **0704. 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 and assisted an evaluation of the overall progress of the Council's financial governance arrangements.

The Strategic Issues outlined in the report were consistent with the conclusions of the External Auditors (KPMG) report on the outcome of the 2014/15 Audit. The key messages from that report concerned firstly the quality of the Statement of Accounts where KPMG were in a position to issue an unqualified opinion on the Statement of Accounts by the 30<sup>th</sup> September.

Secondly, KPMG concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. While the overall conclusions were a satisfactory outcome the detail of the report identified areas where improvement was required and helped clarify where the Council needed to focus efforts to ensure that existing standards were maintained.

With regard to the Council's accounting arrangements, at this point in time, the main objective appeared to be 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 previously agreed by Audit Committee that the position would continue to be monitored on a regular basis. It was important to recognise the key role of the accountancy team which had led in securing the improvement in the quality of the Council's accounts.

With regard to the value for money conclusion there was 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;

- 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 that area as being

## AUDIT COMMITTEE

marginal. Appendix 1 to the report outlined the steps that were being taken by management in response to the issues that had been identified.

- While the Council continued to make good progress in protecting its financial resilience by securing the required in year savings targets, the Medium Term Financial Plan continued to identify savings requirements on the General Fund in the order of £1m pa over the next three 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. These issues were considered in more detail in the draft Medium Term Financial Plan 2016/17 to 2018/19 as discussed earlier on the agenda.

With regard to the Head of Internal Audit Consortium's report concerning the progress on the 2015/16 Audit Plan presented at the last meeting of Audit Committee, at this point in 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 the Council needed to continue to work to maintain standards of internal control. As requested by Members at the last meeting, the Executive Director - Operations would update Members on progress in implementing the recommendations arising from the Internal Audit report on Health and Safety.

With regard to the Strategic Issues identified , these were summarised in a table attached as an appendix to the report which provided an outline of the issues together with an update of the current position. Given that these were Strategic Issues, the responsibility for addressing them rested with the Chief Financial Officer together with the wider management team. Resolution of the issues was also dependent upon the active support of 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.

Moved by Councillor S.W. Fritchley and seconded by Councillor K. Reid  
**RESOLVED** that the report be received.

Councillor Mcgregor left the meeting at this point.

### **0705.           REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS EVALUATE THE ROLE AND EFFECTIVENESS OF THE AUDIT COMMITTEE**

Committee considered a report of the Executive Director – Operations in relation to an evaluation of the role and effectiveness of the Audit Committee and to agree any actions which were necessary in order to make it more effective.

Given the importance of Audit Committee's role to secure the effective operation of governance arrangements within the Council, it was crucial that the Committee gave regular consideration to its effectiveness in practice.

## **AUDIT COMMITTEE**

To facilitate Members of the Committee in undertaking a self-assessment, the report set out criteria agreed by CIPFA / SOLACE as being appropriate benchmarks against which to measure the performance of an Audit Committee.

The Committee then assessed itself against the individual standards set out within the CIPFA / SOLACE Document. The overall assessment arising from the self assessment was that the Council was performing satisfactorily against the standards set out by CIPFA / SOLACE with the vast majority of the assessment areas being judged as either fully compliant or fit for purpose. On that basis it was reasonable to conclude that the Audit Committee was fit for purpose and performing well. The two areas identified where improvement was necessary related to the need to develop and agree an annual work plan and to improve the training arrangements for Members of the Committee.

The meeting concluded at 1515 hours.



**Bolsover District Council**

**Audit Committee**

**12th April 2016**

<b>Internal Audit Plan 2016/17</b>
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This report is public

**PURPOSE OF REPORT**

- To present to Members for consideration and agreement the Internal Audit Plan for 2016/17.

**1.0 Report Details**

- 1.1 A key requirement of the Public Sector Internal Audit Standards is that a periodic risk based plan should be prepared that is sufficiently flexible to reflect the changing risks and priorities of the organisation. The risk based plan should be fixed for a period of no longer than one year, should outline the assignments to be carried out, their respective priorities and the estimated resources needed.
- 1.2 The internal audit plan helps to achieve the corporate aim “Strategic Organisational Development” which looks to continually improve the organisation. Systems are examined and evaluated to ensure that they are effective and efficient and that the controls in place are operating as intended.
- 1.3 A note explaining the role, purpose and some of the terminology used in the internal audit plan is attached at Appendix 1.
- 1.4 An annual report summarising the outcome of the 2015/16 internal audit plan will be presented to this Committee after the year-end.
- 1.5 A summary of the internal audit plan for 2016/17 is shown below and the detailed plan is shown as Appendix 2.

**Internal Audit Plan 2016/17**

<b>Summary</b>	<b>Audit Days</b>
Main Financial Systems	205
Other Operational Audits	120
Computer / IT Related	12
Fraud and Corruption	10
Corporate / Cross Cutting	66
Alliance Accounts/NFI Key contact	15
Special Investigations & Contingency	40

Audit Committee / Client Liaison	15
<b>Grand Total</b>	<b>483</b>

- 1.6 The plan has been prepared taking into account the following factors:-
- The organisational objectives and priorities;
  - Local and national issues and risks;
  - The requirement to produce an annual internal audit opinion;
  - The fraud risk register (Appendix 3)
  - The organisations assurance framework;
  - An update of the internal audit risk assessment exercise covering the financial control and other procedures subject to audit (see Appendix 1, section 5 for further details);
  - The Council's strategic risk register and
  - The views of the Executive Director- Operations

1.7 Resource availability has been based on the Consortium Business Plan for 2016/17. The plan allocates 483 days to Bolsover District Council for 2016/17 this is the same allocation as for 2015/16.

1.8 A copy of the audit plan is provided to the Council's external auditor to assist in co-ordination of work programmes.

## **2.0 Conclusions and Reasons for Recommendations**

2.1 To ensure that a risk based audit plan is adopted and to determine the internal audit work programme for 2016/17.

2.2 To comply with the Public Sector Internal Audit Standards.

## **3 Consultation and Equality Impact**

3.1 None

## **4 Alternative Options and Reasons for Rejection**

4.1 Not Applicable

## **5 Implications**

### **5.1 Finance and Risk Implications**

5.1.1 Financial – the internal audit budget for 2016/17 has been approved by the Joint Board and includes a contingency to cover for any unforeseen circumstances etc.

5.1.2 Risk management Issues – no formula exists that can be applied to determine internal audit coverage needs. However, as a guide the minimum level of coverage is that required to give an annual evidence-based opinion on internal controls. The level of coverage provided by the proposed 2016/17 internal audit plan will be sufficient upon which to base an opinion.

## 5.2 Legal Implications including Data Protection

5.2.1 None

## 5.3 Human Resources Implications

5.3.1 None

## 6 Recommendation

6.1 That the Internal Audit Plan for 2016/17 be agreed.

## 7 Decision Information

<b>Is the decision a Key Decision?</b> (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
<b>District Wards Affected</b>	None
<b>Links to Corporate Plan priorities or Policy Framework</b>	The internal audit plan helps to achieve the corporate aim “providing our customers with an excellent service” which looks to continually improve the organisation.

## 8 Document Information

<b>Appendix No</b>	<b>Title</b>
Appendix 1	Internal Audit Plan – Background Note
Appendix 2	Draft Internal Audit Plan 2016/17
Appendix 3	Fraud risk register
<b>Background Papers</b> (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	
<b>Report Author</b>	<b>Contact Number</b>
Jenny Williams Internal Audit Consortium Manager	01246 217547

## **INTERNAL AUDIT PLAN**

### **BACKGROUND NOTE**

#### **1. Definition of Internal Audit**

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

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

#### **2. The Purpose of Internal Audit**

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

There is also a statutory requirement for internal audit in local government contained in the Accounts and Audit Regulations 2015. These regulations require the authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards and guidance’.

#### **3. The Difference Between Internal Audit and External Audit**

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

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

#### **4. The Scope of Internal Audit Work**

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

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

The audit plan is divided into the following sections: -

- **Main Financial Systems**

This covers the fundamental accounting and income collection systems of the authority such as payroll, creditor payments, council tax etc. Most of

these systems are reviewed on an annual basis due to their importance. External audit examines and places reliance on the work carried out.

- **Other Operational Audits**

Audits to be undertaken in services include a review of procedures at leisure centres and controls in respect of street cleaning.

- **IT Related**

Topics in this area of the plan include a review of BACS. Although only 12 days are specifically allocated to IT, IT issues are also covered within most of the areas examined.

- **Fraud and Corruption**

Audits specifically related to the prevention of fraud and corruption are covered in this area of the plan. Examples include work on recruitment and selection and NFI. It should be noted that a significant number of other audits include an anti-fraud element e.g. income audits.

- **Cross Cutting Issues**

This area of the plan includes audit subjects that cover all services or are corporate Issues. Examples include work on health and safety and corporate targets.

- **Special Investigations**

A contingency provision is included in the plan to cover the investigation of irregularities or cases of suspected fraud and other problems.

## 5. Delivering the Internal Audit Service

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

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

Using a scoring system, audits are then categorised as High, Medium or Low risk. This ranking is then used to compile the annual audit plan. The areas of audit work set out in the agreed plan are split into individual audit assignments.

An audit assignment can involve:

- preparation of system notes and a review/analysis of system controls;
- extraction of background information;
- extraction and testing of sample transactions and controls;
- notes of interviews and meetings.

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

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

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

## Appendix 2

### INTERNAL AUDIT CONSORTIUM

#### BOLSOVER DISTRICT COUNCIL

#### THREE YEAR INTERNAL AUDIT PLAN 2014/15 – 2016/17

	Audit Days			Priority
	2014/15	2015/16	2016/17	
<b>Main Financial Systems</b>				
Main Accounting System	15	9	9	H
Budgetary Control	10	10	8	H
Payroll	15	20	20	H
Creditor Payments	20	15	15	H
Debtors	10	10	15	H
Treasury Management (Loans)	10	15	10	H
Cash and Banking	20	20	20	H
Council Tax	10	10	20	H
Non Domestic Rates	20	10	10	H
Housing / Council Tax Benefit	20	20	20	H
Housing Rents	20	12	20	H
Housing Repairs	20	20	20	H
Car Allowances and Expenses		10		L
Stores		10	10	M
VAT	8		8	M
	<b>198</b>	<b>191</b>	<b>205</b>	
<b>Other Operational Audits</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	
Asset Management Arrangements	10			M
Cash Floats and Balances	6	6		M
Commercial Waste		10		M
Contract Accounts and Procedures	15			M
Economic Development/Partnerships – Ambition funding			10	M
Facilities Management	12			L
Final Accounts	10	10	10	H
Gas Servicing	8		10	M
Grants (DFG's)		12		L
Grounds Maintenance	12			L
Housing Allocations and Lettings	15			M
Homelessness			10	L

<b>Other Operational Audits Continued</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	
Insurance			10	M
Leisure Centres	10	10	15	M
Licensing E.Health	10			L
Members Expenses and Allowances		10		L
Planning Fees			12	L
Pleasley Outdoor Centre		10		L
Property Rents/Pleasley Mill	10			L
Right to Buy Sales			10	M
Section 106 Agreements	12		12	M
Street Cleaning			10	L
Taxi Licensing		10		L
The Tangent Business Hub		10		M
Transport/Council Vehicles/fuel			11	M
	<b>130</b>	<b>88</b>	<b>120</b>	
<b>IT Related</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	
IT Policy and Security Review	8			M
PSN Compliance		8		M
Use of Laptops/ removable Media	8			M
Social Media			4	L
Disaster Recovery		8		M
BACS			8	M
	<b>16</b>	<b>16</b>	<b>12</b>	
<b>Fraud and Corruption</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	
Fraud Modules	10	10	10	H
National Fraud Initiative		5		M
Money laundering	3			L
Recruitment and Selection	10	10		L
	<b>23</b>	<b>25</b>	<b>10</b>	
<b>Corporate / Cross Cutting Issues</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	
Emergency Planning			10	L
Corporate Targets		15	10	M
Corporate / Annual Governance Statement	10	10	10	H
Health and Safety		8	8	H



	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	
Procurement	15	15		M
Financial Advice / Working Groups	10	10	10	H
Freedom of Information	6			L
Risk Management		10		M
Safeguarding			8	M
Data Protection/ CCTV		10	10	M
Transparency Agenda		10		L
	<b>41</b>	<b>88</b>	<b>66</b>	
<b>NFI Key contact</b>	<b>20</b>	<b>20</b>	<b>15</b>	
<b>Special Investigations / Contingency</b>				
Special Investigations Contingency	<b>40</b>	<b>40</b>	<b>40</b>	
<b>Audit Committee / Client Liaison</b>	<b>15</b>	<b>15</b>	<b>15</b>	
<b>Grand Total</b>	<b>587</b>	<b>483</b>	<b>483</b>	

**BOLSOVER DISTRICT COUNCIL FRAUD RISK REGISTER**

**Prepared by Jenny Williams**

**Date/Version Ref: march 2016 V1**

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
<p><b>Procurement/Contracts</b></p> <p>Contractor awarded contracts in return for gifts or financial incentives/bribery</p> <p>Contracts let to friends/relatives by waiving tendering procedures</p> <p>Cartels/price fixing</p> <p>Specification favours a particular contractor</p> <p>Improper award of contract</p> <p>No formal contract in place</p> <p>Contract not delivered properly/ cost overrun</p>	<p>Not achieving VFM</p> <p>Fraud</p> <p>Corruption</p> <p>Bribery</p> <p>Reputational Damage</p> <p>Potential police involvement</p> <p>Legal action</p> <p>Financial Loss</p>	<p><b>Possible / Moderate</b></p> <p><b>(3 x 3) =</b></p> <p><b>Score 9</b></p> <p><b>Red</b></p>	<p>Use of NHS procurement service and electronic tendering system</p> <p>Compliance with standing orders</p> <p>Training and Guidance for Officers</p> <p>Procurement clinics</p> <p>Whistle blowing policy, Anti Fraud Bribery and Corruption policies</p> <p>Contracts register</p> <p>Use of Frameworks</p> <p>Credit checks</p> <p>Separation of duties</p> <p>Supervision, authorisation controls and management structures</p>	<p><b>Unlikely / Moderate</b></p> <p><b>(2 x 3) =</b></p> <p><b>Score 6</b></p> <p><b>Yellow</b></p>			<p><b>Unlikely / Moderate</b></p> <p><b>(2 x 3) =</b></p> <p><b>Score 6</b></p> <p><b>Yellow</b></p>	Service Managers

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
			Training  Signed contracts Including KPI'S Budget monitoring controls  Regular client/contractor meetings  Internal Audit Reviews					
<b>Corruption – Regeneration Development/planning consents and licences</b>  Developer awarded contracts in return for cash or other financial incentives  Inducement for the grant of planning consents/licences  Backhanders to reduce restraints on developer	Not achieving VFM  Fraud  Corruption  Bribery  Reputational Damage  Potential police involvement  Legal action  Financial Loss	<b>Possible / Moderate</b>  <b>(3 x 3) =</b> <b>Score 9</b>  <b>Red</b>	Compliance with Financial Regulations  Whistle blowing policy, Anti Fraud Bribery and Corruption policies – recently revised  Contracts register  Separation of duties  Supervision, authorisation controls and management structures  Training  Internal Audit Reviews	<b>Unlikely / Moderate</b>  <b>(2 x 3) =</b> <b>Score 6</b>  <b>Red</b>			<b>Unlikely / Moderate</b>  <b>(2 x 3) =</b> <b>Score 6</b>  <b>Yellow</b>	Assist Director Planning. Director of Operations

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
<b>Creditor Payments/Cheque Control/Procurement Cards/bank mandate fraud</b> Internal fraud through lack of separation of duties or collusion with other officers or suppliers Senior Officers circumventing internal controls Invoices for goods not received/ inflated invoices/duplicate invoices False request to change suppliers bank details Fictitious creditors set up Unauthorised use / abuse of procurement cards for personal gain Use of stolen credit cards Blank cheques are stolen Fraudulent alteration and encashment of cheque payments	Not achieving VFM Fraud Corruption Bribery Reputational Damage Potential police involvement Legal action Financial Loss	<b>Possible / Moderate</b> <b>(3 x 3) =</b> <b>Score 9</b> <b>Red</b>	Compliance with financial regulations Separation of duties in relation to the ordering, receipting and payment of goods Management/supervisory controls Authorised signatories Budget monitoring Access controls to system BACS processing controls Bank reconciliations Verification of change of bank details requests NFI Data matching Inbuilt input validation controls within the system Fraud awareness	<b>Unlikely / Moderate</b> <b>(2 x 3) =</b> <b>Score 6</b> <b>Yellow</b>			<b>Unlikely / Moderate</b> <b>(2 x 3) =</b> <b>Score 6</b> <b>Yellow</b>	Service Managers

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
			<p>Compliance with purchasing card guidance</p> <p>Financial limits on procurement cards</p> <p>Internal Audit Reviews</p>					
<p><b>Stocks and Assets/Stores</b></p> <p>Loss of assets/stores through theft or misappropriation</p> <p>Goods obtained for private use</p> <p>Goods not supplied or inferior goods supplied</p> <p>Theft of fuel/misuse of fuel cards</p> <p>Inappropriate/ unauthorised use of Council vehicles</p>	<p>Theft</p> <p>Reputational Damage</p> <p>Financial Loss</p> <p>Police involvement</p>	<p><b>Likely / Minor</b></p> <p><b>(4 x 2) =</b></p> <p><b>Score 8</b></p> <p><b>Yellow</b></p>	<p>Compliance with Financial Regulations/policies</p> <p>Management/supervisor y controls</p> <p>Stock control/stock checks/physical controls</p> <p>Authorisation of write offs and disposals</p> <p>Ordering and payment controls</p> <p>Monitoring of fuel issues/spend on fuel cards</p> <p>Budget Monitoring</p> <p>Internal Audit Review</p> <p>Whistleblowing Policy</p> <p>Vehicle logs</p> <p>Mileage records</p>	<p><b>Possible / Minor</b></p> <p><b>(2 x 2) =</b></p> <p><b>Score 4</b></p> <p><b>Green</b></p>			<p><b>Possible / Minor</b></p> <p><b>(2 x 2) =</b></p> <p><b>Score 4</b></p> <p><b>Green</b></p>	Service Managers

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
<b>Recruitment and Selection</b> Identity fraud Qualification fraud False References Favouritism Non disclosure of a criminal record No right to work in the UK	Fraud Staff not qualified for the job Legal proceedings Police Involvement Reputational damage Safeguarding issues	<b>Possible / Moderate</b> <b>(3 x 3) =</b> <b>Score 9</b> <b>Red</b>	Policy in place Training in recruitment and selection process Qualification and reference checks Identity check Compliance with DBS policy Data matching NFI Internal Audit Reviews	<b>Unlikely / Moderate</b> <b>(2*3) =</b> <b>Score 6</b> <b>Yellow</b>			<b>Unlikely / Moderate</b> <b>(2 x 3) =</b> <b>Score 6</b> <b>Yellow</b>	HR/Service Managers
<b>Attendance/performance</b> Falsifying time management records Home working – not working False sick claims Working whilst on sick leave	Fraud Reduced productivity	<b>Likely / Minor</b> <b>(4 x 2) =</b> <b>Score 8</b> <b>Yellow</b>	Sickness policy Training Management Supervision Authorisation of flexi records etc NFI Whistle blowing policy	<b>Likely / Negligible</b> <b>(4 x 1) =</b> <b>Score 4</b> <b>Green</b>			<b>Likely / Negligible</b> <b>(4 x 1) =</b> <b>Score 4</b> <b>Green</b>	Service Managers

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
<b>Payroll</b> Payments to “ghost” employees Unauthorised pay increases - Fraudster increases own pay/ payments to staff for hours not worked. falsified timesheets/overtime claims Expenses paid that have not been incurred – mileage/subsistence – falsified claims Payment continues after resignation	Fraud Financial Loss Reputational Damage Police involvement	<b>Likely / Minor</b> <b>(4 x 2) =</b> <b>Score 8</b> <b>Yellow</b>	Compliance with financial regulations Payroll access controls Confirmation of establishment lists Input checks on variations Payroll reconciliations Authorisation controls Error and exception reporting. Checks carried out prior to the monthly running of payrolls Budget Monitoring Management supervision Internal Audit Reviews	<b>Unlikely / Minor</b> <b>(2 x 2) =</b> <b>Score 4</b> <b>Green</b>			<b>Unlikely / Minor</b> <b>(2 x 2) =</b> <b>Score 4</b> <b>Green</b>	Payroll/ Service Managers
<b>Benefits/Council Tax Reduction</b> Failure to notify change of circumstances Income understated Non dependants not declared Multiple claims Landlord claims for fictitious	Fraud Reputational Damage Financial Loss	<b>Very Likely / Moderate</b> <b>(5 x 3) =</b> <b>Score 15</b> <b>Red</b>	Staff training Data Matching Media coverage Documentary evidence Management	<b>Likely / Minor</b> <b>(4 x 2) =</b> <b>Score 8</b> <b>Yellow</b>			<b>Likely / Minor</b> <b>(4 x 2) =</b> <b>Score 8</b> <b>Yellow</b>	Housing Benefits

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
tenant False claims by Council Officers			checks/supervision DWP investigations Fraud hotline Internal Audit Review					
<b>Council Tax/Business Rates</b> Failure to declare occupation Exemptions/discounts claimed fraudulently Fictitious refunds Suppressing arrears	Fraud Reputational Damage Financial Loss	<b>Very Likely / Moderate</b> <b>(5 x 3) =</b> <b>Score 15</b> <b>Red</b>	Access controls Management/supervision Separation of duties Authorisation processes Reconciliations NFI/Data matching Review of suppressed recovery action Checking empty properties Internal Audit Reviews	<b>Possible / Minor</b> <b>(3 x 2) =</b> <b>Score 6</b> <b>Yellow</b>			<b>Possible / Minor</b> <b>(3 x 2) =</b> <b>Score 6</b> <b>Yellow</b>	Council Tax
<b>Debt Management</b> Failure to raise an account Unauthorised amendments to account Manipulation of credit balances	Fraud Corruption	<b>Likely / Minor</b> <b>(4 x 2) =</b> <b>Score 8</b> <b>Yellow</b>	Compliance with Financial Regulations Management supervision Budget monitoring	<b>Unlikely / Minor</b> <b>(2 x 2) =</b> <b>Score 4</b> <b>Green</b>			<b>Unlikely / Minor</b> <b>(2 x 2) =</b> <b>Score 4</b> <b>Green</b>	Debtors/Service Managers



CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
Improper write off of debt Suppressing of recovery action Falsifying refunds	Bribery Loss of income Police Involvement  Reputational Damage		Access controls to system Performance monitoring Separation of duties Authorisation of write offs Authorisation of refunds Bank reconciliation Internal Audit Reviews					
<b>Cash Income</b> Delayed banking Theft Borrowing takings Manipulation of records	Loss of income Fraud Reputational Damage Police Involvement	<b>Highly Likely / Moderate</b> <b>(5 x 3) =</b> <b>Score 15</b> <b>Yellow</b>	Compliance with Financial Regulations Management supervision/authorisation Separation of duties Budget Monitoring Insurance in place Compliance with safe insurance limits Cash collection service Independent reconciliation of cash	<b>Possible / Minor</b> <b>(3 x 2) =</b> <b>Score 6</b> <b>Yellow</b>			<b>Possible / Minor</b> <b>(3 x 2) =</b> <b>Score 6</b> <b>Yellow</b>	Cashiers/ Service Managers

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
			collected, bankings, tickets  Whistle blowing policy  Internal Audit reviews					
<b>Petty Cash</b> Abuse/misuse of petty cash facility	Theft Financial Loss Possible police involvement Reputational Damage	<b>Very Likely / negligible</b> <b>(5 x 1) =</b> <b>Score 3</b> <b>Green</b>	Compliance with financial regulations and petty cash guidance Authorisation of transactions Separation of duties Management/supervision controls Reconciliation of account Audit spot checks	<b>Possible / negligible</b> <b>(3 x 1) =</b> <b>Score 3</b> <b>Green</b>			<b>Possible / negligible</b> <b>(3 x 1) =</b> <b>Score 3</b> <b>Green</b>	Service Manages
<b>Tenancy Fraud/ Right to Buy</b> Sub letting of properties for personal gain Providing false information to gain a tenancy Right to buy fraudulent application False homelessness applications	Fraud Police involvement Reputational Damage	<b>Likely / Moderate</b> <b>(4 x 3) =</b> <b>Score 12</b> <b>Red</b>	Home visits Tenants ID checked Confirmation/checks of application information Robust tenancy agreement Eviction powers Audit Reviews	<b>Unlikely / Moderate</b> <b>(2 x 3) =</b> <b>Score 6</b> <b>Yellow</b>			<b>Unlikely / Moderate</b> <b>(2 x 3) =</b> <b>Score 6</b> <b>Yellow</b>	Rykneld Homes

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
<b>Information Technology/Data Protection</b> Abuse of e mail, internet Abuse/misuse of personal or corporate information Theft/misuse of IT equipment Theft of information	Financial loss Contravention of Data Protection Act – fines Police Involvement Reputational Damage	<b>Very Likely / Moderate</b> <b>(5 x 3) =</b> <b>Score 15</b> <b>Red</b>	Compliance with policies and Codes of Conduct Compliance with Data Protection Act Training Penetration/ vulnerability testing PSN Compliance Encryption of data transmissions Access controls Restricted access to internet sites Inventory checks Internal audit reviews	<b>Possible / Moderate</b> <b>(3 x 3) =</b> <b>Score 9</b> <b>Yellow</b>			<b>Possible / Moderate</b> <b>(3 x 3) =</b> <b>Score 9</b> <b>Yellow</b>	Service Managers /IT
<b>Treasury Management</b> Alterations of terms of agreement Misappropriation of funds Fraudulent investment/repayment of funds	Fraud Reputational Damage Financial Loss Police Involvement	<b>Possible / Severe</b> <b>(3 x 4) =</b> <b>Score 12</b> <b>Red</b>	Compliance with Financial Regulations and investment strategy and policies Management supervision/authorisation Reporting to Audit Committee	<b>Unlikely / Severe</b> <b>(2 x 4) =</b> <b>Score 8</b> <b>Yellow</b>			<b>Unlikely / Severe</b> <b>(2 x 4) =</b> <b>Score 8</b> <b>Yellow</b>	Director of Operations

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
			<p>Access controls to system</p> <p>Insurance in place</p> <p>Separation of duties</p> <p>Internal Audit Review</p>					
<p><b>Declaration of Interests/Gifts and Hospitality</b></p> <p>Failure to register interests</p> <p>Failure to declare private work</p> <p>Failure to declare offer or acceptance of gifts and hospitality</p>	<p>Corruption</p> <p>Bribery</p> <p>Reputational damage</p> <p>Police involvement</p>	<p><b>Likely/ Moderate</b></p> <p><b>(4 x 3) =</b></p> <p><b>Score 12</b></p> <p><b>Red</b></p>	<p>Compliance with employee and members Codes of Conduct</p> <p>Management and Supervision</p> <p>Policy in place</p> <p>Whistleblowing Policy</p> <p>Anti fraud bribery and corruption policy</p> <p>Internal Audit checks</p>	<p><b>Possible/ Moderate</b></p> <p><b>(3 x 3) =</b></p> <p><b>Score 9</b></p> <p><b>Yellow</b></p>			<p><b>Possible/ Moderate</b></p> <p><b>(3 x 3) =</b></p> <p><b>Score 9</b></p> <p><b>Yellow</b></p>	Service Managers
<p><b>Money Laundering</b></p> <p>Use of the Council to hide improper transactions to launder money illegally</p>	<p>Criminal offence</p> <p>Reputational Damage</p> <p>Financial Loss</p> <p>Police involvement</p>	<p><b>Unlikely/ Severe</b></p> <p><b>(2 x 4) =</b></p> <p><b>Score 8</b></p> <p><b>Yellow</b></p>	<p>Money laundering policy</p> <p>Training</p> <p>Upper limit for cash transactions</p>	<p><b>Highly Unlikely/ Severe</b></p> <p><b>(1 x 4) =</b></p> <p><b>Score 4</b></p> <p><b>Green</b></p>			<p><b>Highly Unlikely/ Severe</b></p> <p><b>(1 x 4) =</b></p> <p><b>Score 4</b></p> <p><b>Green</b></p>	Director of Operations

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
<b>Insurance</b> Fraudulent Claims Duplicate claims at other organisations Over claiming	Fraud Reputational Damage Potential increased insurance premiums Financial Loss Police involvement	<b>Possible / Moderate</b> <b>(3 x 3) =</b> <b>Score 9</b> <b>Yellow</b>	Insurance Officer checks claim NFI Internal Audit reviews	<b>Unlikely / Moderate</b> <b>(2 x 3) =</b> <b>Score 6</b> <b>Yellow</b>			<b>Unlikely / Moderate</b> <b>(3 x 3) =</b> <b>Score 9</b> <b>Yellow</b>	Director of Operations
<b>Telecommunications</b> Phones are used to make private and inappropriate phone calls	Financial loss Productivity down	<b>Likely / Negligible</b> <b>(4 x 1) =</b> <b>Score 4</b> <b>Green</b>	Policy in place System to identify personal calls Checks on bills	<b>Possible / Negligible</b> <b>(3 x 1) =</b> <b>Score 3</b> <b>Green</b>			<b>Possible / Negligible</b> <b>(3 x 1) =</b> <b>Score 3</b> <b>Green</b>	Service Managers
<b>Grants</b> Preferred treatment of approved grant applications Misrepresentation by the applicant of their financial position Collusion Over claiming for the value of work done/false claims Claiming for property not owned or occupied	Reputational damage Financial Loss Police involvement	<b>Likely / Medium</b> <b>(4 x 3) =</b> <b>Score 12</b> <b>Red</b>	Compliance with grant policies Management/supervisory controls Separation of duties Physical verification by visits Internal Audit Reviews	<b>Unlikely / Moderate</b> <b>(2 x 3) =</b> <b>Score 6</b> <b>Yellow</b>			<b>Unlikely / Moderate</b> <b>(2 x 3) =</b> <b>Score 6</b> <b>Yellow</b>	Service Managers

CAUSE / RISK	EFFECT	ORIGINAL RATING LIKELIHOOD / IMPACT	ACTIONS UNDERTAKEN TO MITIGATE THE RISK	LATEST RISK RATING DOT LIKELIHOOD / IMPACT	FURTHER ACTION REQUIRED/DATE	TARGET DATE	TARGET RISK RATING DOT LIKELIHOOD / IMPACT	RISK LEAD
<b>Elections</b> Fraudulent voting Fraudulent acts by canvassers Fraudulent acts by poll clerks/officers/individuals	Elections become null and void Reputational damage	<b>Possible / High</b> <b>(3 x 4) =</b> <b>Score 12</b> <b>Red</b>	Registrations and applications vetted Training Supervisory roles at counts Postal votes count supervised Ballot box controls	<b>Unlikely / Severe</b> <b>(2 x 4) =</b> <b>Score 8</b> <b>Yellow</b>			<b>Unlikely / Severe</b> <b>(2 x 4) =</b> <b>Score 8</b> <b>Yellow</b>	Elections Officer

**Bolsover District Council**

**Audit Committee**

**12th April 2016**

**EXTERNAL REVIEW OF INTERNAL AUDIT**

**Purpose of the Report**

- To consult members on the format of the external review of internal audit that is required by the Public Sector Internal Audit Standards.

**1 Report Details**

**Background**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) were introduced from the 1<sup>st</sup> April 2013 and Internal Audit has been working to those standards since that date. The PSIAS require that internal and external assessments of internal audit must take place.
- 1.2 An internal self- assessment against the PSIAS utilising the recommended CIPFA checklist has been undertaken on an annual basis by the Internal Audit Consortium Manager and the resultant improvement plans have been reported to and monitored by this Committee.
- 1.3 The PSIAS require that an external assessment should be carried out at least once every 5 years by a qualified, independent assessor or team. The first external assessment needs to be completed by April 2018. The Internal Audit Consortium Manager is required to discuss the following in advance of the assessment with the Audit Committee:-
- The form of external assessments
  - The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest
- 1.4 The external assessment can either be a “full” external assessment or a self-assessment with “independent validation”.
- 1.5 In order to gain economies of scale and because the working practices of the Councils involved are the same it would make sense for the assessment to be undertaken for all of the partner consortium members and Derbyshire Dales District Council at the same time.
- Assessment Options**
- 1.6 Members firstly need to decide if a full assessment or a validation of a self-assessment is more appropriate.

1.7 A full assessment would provide Members with a greater level of assurance of the quality of internal audit however the cost of this would be greater than a validation of self-assessment.

1.8 A validation of the self- assessment would involve the external provider reviewing the evidence against the recommended PSIAS checklist that the Internal Audit Consortium Manager will provide and assessing its adequacy. In support of the validation of self- assessment option the following can be stated:-

- The effectiveness of internal audit is assessed by the Council's section 151 Officer on an annual basis and the results of this assessment have always been positive.
- The annual audit plans have always been substantially completed
- Regular reports are submitted to the Audit Committee
- External audit have placed reliance on internal audits work
- The audit team is very experienced and well qualified.
- Customer satisfaction surveys score very highly

### **Qualifications of Assessor**

1.9 Whichever assessment option is selected, the assessors would need to be appropriately qualified. Competence can be demonstrated through a mixture of experience and theoretical learning. The standards state that experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience.

1.10 The Internal Audit Consortium Manager should use their professional judgement when assessing if the assessor is appropriately qualified but the following guidelines could be used:-

- Does the reviewer possess a recognised professional qualification?
- Does the reviewer have appropriate experience of internal audit e.g. 5 years at manager level within the public sector?
- Does the reviewer have detailed knowledge of leading practices in internal audit and current, in-depth knowledge of the PSIAS.

### **Assessment Process**

1.11 If Members elect for the validated self- assessment option then CIPFA recommend that the PSIAS checklist included in their Application Note be used.

1.12 The review would likely be carried out through a process of review of documentation e.g. the Internal Audit Charter, internal audit working papers and interviews/questionnaires. The external assessor may wish to speak to the section 151 Officers, the Chairs of the Audit Committees, audit staff and a sample of clients.

### **Procurement of Assessor/Potential Cost**

1.13 Under Chesterfield Borough Council's procurement rules for goods and services between £10,001 and £50,000 three written competitive quotations must first be obtained. As there are four Councils involved it is very likely that the cost will exceed £10,000 with each Authority paying their share.

1.14 It is difficult to predict the cost of the assessment with accuracy. The Midlands Audit Group were surveyed however a number of the Council's that participate in this are



themselves only just looking at undertaking their first external assessment. From the few responses received costs/quotes range from £2,500 per Council up to £10,000. As all four Council's utilise the same working practices and documentation this should result in some economies of scale.

- 1.15 All of the Councils involved now use the Royal Hospital NHS procurement service. The NHS procurement team have been consulted and advise that the best way forward would be to advertise the contract on Source Derbyshire. The NHS procurement service could assist in putting the documentation together and could receive the quotations through their electronic system.

### **Potential Assessors**

- 1.16 The parties that may be interested in undertaking the assessment of internal audit include:-

- External Audit firms
- The Chartered Institute of Public Finance and Accountancy
- The Institute of Internal Auditors
- Firms providing assurance services/individuals

- 1.17 Consideration has been given to a peer review e.g. Derbyshire County Council's Internal Audit Section, however, on balance it is felt that a peer review could lead to a potential conflict of interest or have a detrimental effect on future relations.

## **2.0 Conclusions and Reasons for Recommendations**

- 2.1 Members of the Audit Committee have responsibility for Governance and need to be able to place reliance on internal audit therefore it is important that they are consulted on the proposal for the external assessment of internal audit.

## **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 Finance - each Council will need to budget for the external review in 2016/17. The cost of the review is not yet known but it is anticipated that a budget of £5,000 per Council will be required and this has been built in to the 2016/17 Internal Audit Consortium's budget.

- 5.1.2 Risk - The procurement of an assessor to undertake an independent review of the internal audit service will ensure that PSIAS requirements are met. The review will identify the strengths and weaknesses of the internal audit service and make recommendations for improvement thereby strengthening governance arrangements. If an external review is not undertaken then there is a risk that any failings within the internal audit service will not be detected.

## 5.2 Legal Implications including Data Protection

5.2.1 None

## 5.3 Human Resources Implications

5.3.1 None

## 6 Recommendations

6.1 To authorise proceeding with the procurement of an external provider to undertake an “independent validation” of the self-assessment of internal audit that has been undertaken by the Internal Audit Consortium Manager.

6.2 To agree that the procurement exercise is to be undertaken on behalf of the Internal Audit Consortium partner members and also Derbyshire Dales District Council.

6.3 To delegate authority to the Internal Audit Consortium Manager and the Section 151 Officers to agree a specification and to assess the external provider quotations based on cost and quality and to appoint an external provider to undertake the assessment

## 7 Decision Information

<b>Is the decision a Key Decision?</b> (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
<b>District Wards Affected</b>	N/A
<b>Links to Corporate Plan priorities or Policy Framework</b>	The report is linked to Bolsover DC’s corporate plan objective to provide customers with an excellent service

## 8 Document Information

Appendix No	Title
<b>Background Papers</b> (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
Jenny Williams Internal Audit Consortium Manager	01246 217547

**Bolsover District Council**

**Audit Committee**

**12th April 2016**

<b>Summary of Progress on the 2015/16 Internal Audit Plan</b>
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This report is public

**Purpose of the Report**

- To present, for members' information, progress made by the Audit Consortium, during the period 28th November 2015 to 24<sup>th</sup> March 2016, 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 13<sup>th</sup> 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 28<sup>th</sup> November 2015 – 24<sup>th</sup> March 2016, 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:

- Data Protection
- Taxi Licences
- Main Accounting and Budgetary Control
- Members Expenses
- Cash and Bank

## **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**

<b>Is the decision a Key Decision?</b> (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
<b>District Wards Affected</b>	None
<b>Links to Corporate Plan priorities or Policy Framework</b>	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 28 <sup>th</sup> November – 24 <sup>th</sup> March 2016
<b>Background Papers</b> (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

**BOLSOVER DISTRICT COUNCIL****Internal Audit Consortium - Report to Audit Committee****Summary of Internal Audit Reports Issued – 28th November 2015 – 24<sup>th</sup> March 2016**

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B013	Transparency Agenda	To ensure that the Council complies with the Transparency Agenda	Satisfactory	30/11/2015	21/12/2015	9 (2M 7L)	8
B014	Sundry Debtors	To ensure that invoices are raised and monies collected promptly and accurately	Good	4/12/2015	24/12/2015	2 (1M 1L)	2
B015	Expenses and Allowances	To review the procedures for the payment of expenses and allowances	Good	9/12/2015	6/01/2016	1H	1
B016	Pleasley Vale Outdoor Centre	To review the operation of procedures at the centre	Good	9/12/2015	6/01/2016	2(1M 1L)	2

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B017	ICT Disaster Recovery Arrangements	To ensure that there are appropriate disaster recovery arrangements in place	Good	9/12/2015	6/01/2016	1M	1
B018	Procurement	To review the Council's procurement arrangements	Satisfactory	5/01/2016	26/01/2016	2M	2
B019	Creditors	To ensure that invoices are paid promptly and accurately	Good	11/01/2016	1/02/2016	1H	1
B020	Housing Repairs	To review the systems and procedures in place for carrying out housing repairs	Good	22/01/2016	12/02/2016	2 (1M 1L)	2
B021	Payroll	To ensure that the key controls are operating	Satisfactory	10/02/2016	2/03/2016	2H	2
B022	Risk Management	To ensure that the Council has risk management procedures in place	Satisfactory	3/03/2016	24/03/2016	3M	3

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

**Bolsover District Council****Audit Committee****12th April 2016****Revised Final Accounts Closedown Timetable.****Report of the Assistant Director – Finance, Revenues & Benefits**

This report is public

**Purpose of the Report**

To inform the Audit Committee of the upcoming legislative changes in the final accounts timetable that will be imposed upon all local authorities from the 2017/18 final accounts process, and steps that will be taken to ensure we can achieve the revised dates for preparing the Statement of Accounts.

**1 Report Details**

- 1.1 The final accounts process and timescales that we work to are determined by legislation. There are currently two key deadlines; the first being the date by which the draft statement of accounts is produced and published, and the second being the date by which the final audited version is published. New legislation has been introduced that will change the current dates with effect from the 2017/18 final accounts. These dates are set out below, along with the new date that will come into effect in 2017/18.

	Current Timescale	New Timescale
Draft Statement of Accounts	30 June	31 May
Final Audited Statement of Accounts	30 September	31 July

- 1.2 What is expected of local authorities will not change; therefore we have to find ways to achieve the same outcome while producing the Statement of Accounts a month earlier. Local authorities have been aware that this is on the horizon and have been aiming for faster closedown of their accounts. Our external auditors are also keen to see that all local authorities have processes in place to enable a faster closedown thus providing reassurance that we will be able to achieve the new more challenging timetable.
- 1.3 For the 2015/16 final accounts process, a timetable has been put in place internally that is planned to achieve the new deadline of having a draft statement of accounts ready for publishing by 31 May 2016. This timetable is based on an informal 'dry run' which was put in place in respect of the 2014/15 Statement Of Accounts which successfully achieved a position where the final Draft was available at the end of May 2015. The aim this year is to work to this timetable wherever possible but also to use it as a further opportunity to identify any areas, issues or obstacles that may prevent us from achieving the deadline so that we can eliminate them for the following year. The Accountancy Team will therefore be undertaking detailed



monitoring of the performance against individual elements of the timetable in order to identify any blockages to the effective operation of the close down process.

- 1.4 In order to achieve this deadline, the role of the Audit Committee will change. In the past, this Committee has had the role of approving the Annual Governance Statement in May, agreeing the draft statement of accounts in June and approving the audited statement of accounts in September. Due to the tight timescale we now have to work to, and there being no statutory obligation to do so, it is proposed that this Committee will not see the draft statement of accounts prior to them being published. This Committee will still be responsible for approving the Annual Governance Statement in May and for approving the audited Statement of Accounts. The audited statement of accounts will come to this Committee in September for the 2015/16 financial year but we envisage that as our external auditors move towards achieving the tighter deadline also imposed on them, that in future years, this will be in July.
- 1.5 This challenging timescale can only be achieved by Financial Services if they receive full co-operation and support from this Committee, Strategic Alliance Management Team and all budget officers. All those with a role in the closedown process have received clear instructions which are related to the revised budget timetable.

## **2 Conclusions and Reasons for Recommendation**

- 2.1 This report sets out the revised final accounts timetable imposed upon us by legislative changes which come into effect from the 2017/18 financial year. Given the extent of the changes and significantly reduced timescales, it is imperative that we work towards the new timetable as soon as possible. This will give officers and our external auditor comfort that we can achieve the new deadline.

## **3 Consultation and Equality Impact**

- 3.1 This report to Audit Committee is essentially the consultation process concerning the legislative changes to the final accounts timetable. All those concerned or directly affected by changes to the timetable, whether internal or external to the Council have been and will continue to be consulted during the process.
- 3.2 There are no equalities issues arising directly from this report.

## **4 Alternative Options and Reasons for Rejection**

- 4.1 To continue working as we are, making no attempt to achieve the new timetable and deadlines. This would have a detrimental reputational impact on the Council as a whole as it would be failing to meet statutory deadlines and potentially have its accounts qualified.

## **5 Implications**

### **5.1 Finance and Risk Implications**

There are no additional financial implications arising directly out of this report. It should be noted, however, that failure to comply with the new timetable for the closure of the Accounts will have a significant reputational impact on the Council.

Closure of the Accounts in accordance with statutory requirements – including timescales – is a key factor in influencing public opinion concerning how well a Council is managed. Likewise, failure to meet agreed standards and timescales would require additional work from external audit which would be at an additional cost to the Council.

## 5.2 **Legal Implications including Data Protection**

The publication of the Statement of Accounts to an agreed timescale and standards is a statutory responsibility.

## 5.3 **Human Resources Implication**

None arising directly from this report.

## 6 **Recommendations**

- 6.1 That the Audit Committee note the changes to the final accounts timetable and agree to support Financial Services in achieving the new deadlines.

## 7 **Decision Information**

<b>Is the decision a Key Decision?</b> (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
<b>District Wards Affected</b>	N/A
<b>Links to Corporate Plan priorities or Policy Framework</b>	Providing our customers with excellent services

## 8 **Document Information**

Appendix No	Title
<b>Background Papers</b> (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
Dawn Clarke – Assistant Director – Finance, Revenues & Benefits	01246 217658

**Bolsover District Council**

**Audit Committee**

**12<sup>th</sup> April 2016**

**Audit Committee Work Programme 2016/2017**

This report is public

**Purpose of the Report**

To enable the Committee to consider an appropriate Work Programme for 2016/2017.

**1 Report Details**

- 1.1 The Audit Committee considers a range of financial and governance issues on a regular basis. Given the number of matters that are examined by the Committee it is appropriate that an Annual Work Programme is agreed. The absence of such a programme was the main issue identified at the meeting of 18<sup>th</sup> January 2016 when the Audit Committee undertook a self assessment of its effectiveness against the CIPFA / SOLACE benchmarks for an Audit Committee.
- 1.2 The proposed Work Programme is set out in the attached **Appendix 1**. It should be recognised that the work plan is at this stage an indicative one to which matters may be added or removed as appropriate.
- 1.3 The draft work programme enables Members to give structured consideration as to whether the proposed agenda items are appropriate and serve to meet the objectives of the Committee. That question needs to be considered in the light of the Council's Constitution, Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on the role of an Audit Committee and established good practice.

**2 Conclusions and Reasons for Recommendation**

- 2.1 To enable the Committee to consider its Work Programme for 2016/2017.

**3 Consultation and Equality Impact**

- 3.1 There are no consultation and equality impact matters arising directly from the content of this report.

**4 Alternative Options and Reasons for Rejection**

- 4.1 There were no other options considered and rejected.

**5 Implications**

**5.1 Finance and Risk Implications**

The development of a Work Programme for the Audit Committee will provide an appropriate structure to assist and support the Committee's audit and governance work. This will help to ensure that the Committee continues to operate effectively and that the Council's governance, review and accountability arrangements remain robust. The Programme is designed to allow the Audit Committee to continue its flexible approach to its work and consider a range of matters which are within its remit.

There are no financial issues arising directly from the report.

## 5.2 **Legal Implications including Data Protection**

There are no legal issues or Data Protection matters arising directly from this report.

## 5.3 **Human Resources Implications**

There are no Human Resource issues arising from the report.

## 6 **Recommendations**

- 6.1 That the Committee notes and endorses the Audit Work Programme 2016/2017 as set out in the attached **Appendix 1**.

## 7 **Decision Information**

<b>Is the decision a Key Decision?</b> (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
<b>District Wards Affected</b>	None directly
<b>Links to Corporate Plan priorities or Policy Framework</b>	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**

<b>Appendix No</b>	<b>Title</b>
1	Audit Committee Work Programme 2016/2017
<b>Background Papers</b> (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)	
None	
<b>Report Author</b>	<b>Contact Number</b>
Executive Director Operations	2431

**AUDIT COMMITTEE: PROPOSED WORK PROGRAMME 2016/2017**

<b><u>DATE OF MEETING</u></b>	<b><u>ITEM</u></b>
May 2016	<ul style="list-style-type: none"> <li>• <b>Internal Audit Consortium: Annual Report 2015/2016</b></li> <li>• <b>Summary of Internal Audit Reports issued 2015/2016</b></li> <li>• <b>Annual Review of Adequacy of Internal Audit</b></li> <li>• <b>Annual Governance Statement</b></li> <li>• <b>Key Issues of Financial Governance</b></li> </ul>
July 2016	<ul style="list-style-type: none"> <li>• <b>Report of External Auditor (KPMG) – Annual Audit Fee Letter 2016/17</b></li> <li>• <b>Financial Outturn 2015/16</b></li> <li>• <b>Strategic Risk Register and Partnership Arrangements</b></li> <li>• <b>Quarter 1 2016/2017 Financial Monitoring</b></li> <li>• <b>Key Issues of Financial Governance</b></li> </ul>
September 2016	<ul style="list-style-type: none"> <li>• <b>Report of External Auditor (KPMG) ISA 260</b></li> <li>• <b>Statement of Accounts 2015/16</b></li> <li>• <b>Report of Internal Audit – Summary of Progress on the Internal Audit Plan</b></li> <li>• <b>Key Issues of Financial Governance</b></li> </ul>
November 2016	<ul style="list-style-type: none"> <li>• <b>Report of External Auditor (KPMG) Annual Audit Letter 2015/16</b></li> <li>• <b>Report of Internal Audit – Summary of Progress on the Internal Audit Plan</b></li> <li>• <b>Strategic Risk Register and Partnership Arrangements</b></li> <li>• <b>Quarter 2 2016/2017 Financial Monitoring</b></li> <li>• <b>Key Issues of Financial Governance</b></li> </ul>
January 2017	<ul style="list-style-type: none"> <li>• <b>Medium Term Financial Plan 2017/18 to 2019/20</b></li> <li>• <b>Report of Internal Audit – Summary of Progress on the Internal Audit Plan</b></li> <li>• <b>Accounting Policies 2016/17</b></li> <li>• <b>Evaluate Role and Effectiveness of Audit Committee</b></li> <li>• <b>Key Issues of Financial Governance</b></li> </ul>
April 2017	<ul style="list-style-type: none"> <li>• <b>Report of External Auditor (KPMG) : External Audit Plan 2016/17</b></li> <li>• <b>Report of Internal Audit – Internal Audit Plan 2017/18</b></li> <li>• <b>Report of Internal Audit – Summary of Progress on the Internal Audit Plan 2016/17</b></li> <li>• <b>Key Issues of Financial Governance</b></li> </ul>

**Bolsover District Council****AUDIT COMMITTEE****12<sup>th</sup> APRIL 2016****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. The Committee at its December 2015 meeting considered the Annual Audit Letter from the external auditor (KPMG) concerning the 2014/15 Financial Statements and related issues, while elsewhere on this agenda is an update report from Internal Audit concerning progress against 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 30<sup>th</sup> 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 the detail of the report does identify areas where improvement is required and helps clarify where we need to focus efforts to ensure that existing standards are maintained.
- 1.3 As regards the Council's accounting arrangements the main objective appears to be that of maintaining current standards against a background in which the timetable for the closure of the accounts is being moved forward by a month by 2017/18. An item elsewhere on this agenda provides further details of both the

requirements of the changed legislation and the Council's response to those changes. Failure to adapt effectively to the tighter closedown timetable will have a significant reputational impact on the Council and is likely to increase the cost of External Audit in signing off the accounts. Given that the Statement of Accounts is a key document for the Council it is important that the Council maintains a focus on providing high quality accounts. Accordingly it was previously agreed by this Committee that the position would continue to be monitored on a regular basis.

1.4 With regard to the value for money conclusion there is still further work to be undertaken before the Council is in a robust 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 continues to be made with the most recent Internal Audit report seeing an improved evaluation of 'satisfactory' efforts to maintain good outcomes in this area need to be maintained. Appendix 1 to this report outlines the steps that have been taken by Management in response to the issues that have been identified.
- While the Council continues to make good progress in protecting its financial resilience by securing the required in year savings targets the Medium Term Financial Plan continues to identify savings requirements on the General Fund well in excess of £1m over the next three financial years. It is noted that progressing the economic development objective agreed by the Council will need to be effectively managed in order to manage the potential risk on the Council's financial position. 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 which appears elsewhere on this agenda . None of the internal audit reports issued between November and March have been assessed as marginal, therefore with approximately five reports outstanding in respect of the current financial year we have received a total of three marginal reports to date. On the basis that the Council received a total of 3 marginal reports in both 2013/14 and 2014/15 this is an indication that standard of internal control are being maintained. 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 support the Audit Committee in undertaking its function of providing 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, its reputation 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

<b>Is the decision a Key Decision?</b> (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
<b>District Wards Affected</b>	None Directly.
<b>Links to Corporate Plan priorities or Policy Framework</b>	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
<b>Background Papers</b> (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 12th April 2016).	
<b>Report Author</b>	<b>Contact Number</b>
Executive Director – Operations (Chief Financial Officer)	2431

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 has a good record in respect of achieving targeted levels of savings, with a further robust performance anticipated in respect of 2015/16. On the basis of the current MTFP report the shortfall in respect of next year 2016/17 should be relatively easily resolved. The report does, however, identify a shortfall in excess of £1m over the final two years of the MTFP, which needs to be addressed at the earliest opportunity. 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 has a significant detrimental impact on the Council's HRA and the Council 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 been delivered to all cost centre managers during the summer of 2014, with a further programme completed 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 most recent review by Internal Audit has concluded that managerial arrangements in this area were 'satisfactory' which is a significant improvement on the previous assessments of 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"> <li>• Two training programmes including a significant element concerning procurement contracts have been delivered.</li> <li>• The Council is using the contract data required under the Transparency Agenda as the basis for securing improvements in our managerial arrangements.</li> <li>• The Council has entered into a shared service arrangement with Chesterfield Royal Hospital in order to secure access to specialist procurement advice. <ul style="list-style-type: none"> <li>• Procurement issues will continue to be a standing item within the Quarterly Finance, Risk and Performance meetings.</li> </ul> </li> </ul>

<p>4. To maintain a high standard of external financial reporting particularly in respect of the published accounts, against a background of a reduction in the statutory timescale for the closure of 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 to be maintained against a background of a reduction in the statutory timescale for the production of the Statement of Accounts. A report elsewhere on the agenda sets out the Council’s plans for achieving this objective. In particular the Council will need to ensure ‘corporate buy in’ to revised timescales, whilst ensuring appropriate training and development arrangements are in place for the accountancy team.</p> <p>The position will continue to be monitored as part of the Key Issues of Financial Governance report.</p>