

## **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.

## AUDIT COMMITTEE

### **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.

## AUDIT COMMITTEE

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

## AUDIT COMMITTEE

**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.