

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber on Tuesday 12th April 2016 at 1400 hours.

PRESENT:-

Independent Member:-

Mr J. Yates in the Chair

Members:-

Councillors J.A. Clifton (from Minute No. 0929), M.J. Dooley, S.W. Fritchley, D. McGregor and K. Reid.

Officers:-

B. Mason (Executive Director – Operations), J. Williams (Head of Internal Audit) and A. Bluff (Governance Officer).

Also in attendance at the meeting was T. Crawley - Audit Team Lead – KPMG.

0918. APOLOGY

An apology for absence was received on behalf of Councillor A.M. Syrett.

0919. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

0920. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0921. MINUTES – 18TH JANUARY 2016

Moved by Councillor K. Reid and seconded by Councillor M.J. Dooley

RESOLVED that the minutes of an Audit Committee meeting held on 18th January 2016 be approved as a true record.

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0922. REPORTS OF THE EXTERNAL AUDITOR (KPMG) – EXTERNAL AUDIT PLAN 2015/16: MARCH 2016

Committee considered a report of KPMG in relation to the external audit plan 2015/16, which provided an update to Members as at March 2016.

The audit planning process and risk assessment was an ongoing process and the next audit review carried out by KPMG would be with regard to the Council's Financial Statements including the Annual Governance Statement. In addition, KPMG would also be concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion).

Tony Crawley drew Members attention to the report which set out the key aspects of the financial statements audit planning. The report included a diagram which identified significant risks and other areas of audit focus which were expanded on in the report.

The provision for Business Rate appeals was one other area of audit focus since local authorities had little control over the level of appeals and their outcome. Successful appeals and timescales to settle an appeal were difficult to anticipate making it a matter of judgement as to when the financial impact could fall. KPMG would review the Council's approach to estimating its provision for business rate appeals against the requirements of IAS 37.

The Value For Money (VFM) audit approach was fundamentally unchanged from that adopted in 2014/15 and the process was shown in a diagram contained in the report. The previous two specified reporting criteria, financial resilience and economy, efficiency and effectiveness had been replaced with a single criteria supported by three sub criteria which provided a focus on KPMG's VFM work at the Authority.

In response to a Member's query regarding NNDR and schools, Tony Crawley noted that the Government had not yet provided any details. He added that localisation of business rates meant that the Council needed to keep up to date concerning the risks and be prepared to address them.

Moved and seconded

RESOLVED that the report be noted.

0923. REPORTS OF THE EXTERNAL AUDITOR (KPMG) – EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE: MARCH 2016

Committee considered a progress report from KPMG in relation to their audit work for the Authority which also highlighted the main technical issues which were currently having an impact upon local government.

It was noted that the Local Government Association (LGA) was asking local authorities if they would be interested in a national procurement option for external audit – this was viewed as an option to secure the lowest possible prices while it removed the need for the Council itself to appoint an Independent Panel to appoint external auditors. A decision

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would not need to be made until April 2017. The Executive Director – Operations advised the meeting that he was proposing to indicate to the LGA that Bolsover District Council would wish to be part of the group of authorities who were prepared 'in principle' to look at a sector wide approach, co-ordinated by the LGA, in order to procure External Audit work.

Moved by Councillor D. McGregor and seconded by Councillor K. Reid
RESOLVED that the report be noted.

0924. **REPORTS OF THE INTERNAL AUDIT CONSORTIUM; INTERNAL AUDIT PLAN 2016/17**

Committee considered a report which sought Members agreement of the Internal Audit Plan for 2016/17.

A key requirement of the Public Sector Internal Audit Standards (PSIAS) was that a periodic risk based plan should be prepared that was sufficiently flexible to reflect the changing risks and priorities of the Council. The risk based plan should be fixed for a period of no longer than one year and should outline the assignments to be carried out along with their respective priorities and estimated resources needed.

The internal audit plan was aimed at helping achieve the Council's corporate aims.

Systems were examined and evaluated to ensure that they were effective and efficient and that the controls in place were operating as intended.

A note explaining the role, purpose and some of the terminology used in the internal audit plan was attached as appendix 1 to the report.

A summary of the internal audit plan for 2016/17 was provided as follows. A detailed plan was attached as appendix 2 to the report.

Summary	Audit Days
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
Grand Total	483

Resource availability had been based on the Consortium Business Plan for 2016/17. The plan allocated 483 days to the Council for 2016/17, which was the same allocation as 2015/16.

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A copy of the audit plan was also provided to the Council's external auditor (KPMG) to assist in co-ordination of work programmes.

Attached as appendix 3 to the report was a Fraud Risk Register which sought to analyse the risks facing the Council together with reviewing the mitigation which was in place to address these risks. It was noted that an annual report summarising the outcome of the 2015/16 internal audit plan would be presented to a future Audit Committee following the year end.

Moved by Councillor M.J. Dooley and seconded by Councillor S.W. Fritchley
RESOLVED that the Internal Audit Plan for 2016/17 be agreed.

0925. REPORTS OF THE INTERNAL AUDIT CONSORTIUM; EXTERNAL REVIEW OF INTERNAL AUDIT

Committee considered a report which consulted Members on the format of the external review of internal audit that was required by the Public Sector Internal Audit Standards (PSIAS).

The Internal Audit Consortium Manager was required to consider, in advance of the assessment and in conjunction with the Audit Committee, the form that external assessment should take, the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

An internal self-assessment against the PSIAS utilising the recommended CIPFA checklist had been undertaken on an annual basis by the Internal Audit Consortium Manager since the Standards were introduced on 1st April 2013 with the resultant improvement plans being reported to and monitored by Audit Committee.

The PSIAS required 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 needed to be completed by April 2018.

The external assessment could be either a "full" external assessment or a self-assessment with "independent validation". Members would firstly need to decide if a full assessment or a validation of a self- assessment was more appropriate.

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 a self-assessment. 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 would provide and assessing its adequacy.

Whichever assessment option was selected, the assessors would need to be appropriately qualified. Competence could be demonstrated through a mixture of experience and theoretical knowledge. The Standards stated that experience gained in organisations of similar size, complexity, sector or industry and technical issues was more valuable than less relevant experience.

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It was difficult to predict the cost of the assessment with accuracy - the Midlands Audit Group had been surveyed, however, a number of Council's that had participated in the survey were only just looking at undertaking their first external assessment. From the small number of responses received, costs/quotes ranged from £2,500 per Council up to £10,000. As all four Council's, (Bolsover, North East, Chesterfield and Derbyshire Dales), utilised the same working practices and documentation this should result in some economies of scale. A budget to fund this work had previously been approved by the Joint Board.

All four Councils also use the Royal Hospital NHS procurement service and the NHS procurement team had been consulted and had advised 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 quotations through their electronic system.

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

Moved by Councillor S.W. Fritchley and seconded by Councillor D. McGregor

RESOLVED that (1) the procurement of an external provider to undertake an "independent validation" of the self-assessment of internal audit that had been undertaken by the Internal Audit Consortium Manager is authorised to proceed,

(2) the procurement exercise is to be undertaken on behalf of the Internal Audit Consortium partner members and also Derbyshire Dales District Council,

(3) the Internal Audit Consortium Manager and the Section 151 Officer are granted delegated authority 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.

(Executive Director – Operations/ Internal Audit Consortium Manager)

0926. REPORTS OF THE INTERNAL AUDIT CONSORTIUM; SUMMARY OF PROGRESS ON THE 2015/16 INTERNAL AUDIT PLAN

Committee considered a report which provided information on progress made by the Audit Consortium during the period 28th November 2015 to 24th March 2016 in relation to the 2015/16 Annual Internal Audit Plan.

The report included an appendix which provided both a summary of internal audit reports issued during the period together with details of work in progress.

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

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The appendix showed for each report a summary of the overall audit opinion on the audit together with the number of recommendations made / agreed where a full response had been received.

The overall opinion column gave an assessment of the reliability of the internal controls examined in accordance with standard classifications.

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

The Internal Audit Consortium Manager stated that credit was due to officers that internal controls were in place and operating properly. This statement was also echoed by Councillor Dooley.

The following audits were currently in progress;

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

Moved by Councillor D. McGregor and seconded by Councillor M.J. Dooley
RESOLVED that the report be noted.

0927. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS; REVISED FINAL ACCOUNTS CLOSEDOWN TIMETABLE

Committee considered a report which informed Members of upcoming legislative changes in the final accounts timetable that would be imposed upon all local authorities from the 2017/18 final accounts process and of the steps that would be taken to ensure the Authority could achieve the revised dates for preparing the Statement of Accounts.

The final accounts process and timescales that the Authority worked to were determined by legislation. Currently, there were two key deadlines; the first was the date by which the draft statement of accounts were produced and published and the second was the date by which the final audited version was published.

New legislation would change the current dates with effect from the 2017/18 final accounts as set out below;

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

The Authority now needed to find ways to produce the same Statement of Accounts a month earlier.

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Local authorities had been aware of the upcoming new legislation and had been aiming for faster closedown of their accounts to enable them to iron out any problems. The Council's external auditors, KPMG, were also keen to see that processes were in place to enable a faster closedown thus providing reassurance that the new more challenging timetable could be achieved.

For the 2015/16 final accounts process, a timetable had been put in place internally that was planned to achieve the new deadline of having a draft statement of accounts ready for publishing by 31 May 2016. The Accountancy Team would 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.

In order to achieve this deadline, the role and responsibilities of the Audit Committee will also be required to change. Previously the Committee had undertaken 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, it was proposed that the Audit Committee would not now see the draft statement of accounts prior to them being published. Audit Committee would still be responsible for approving the Annual Governance Statement in May and for approving the audited Statement of Accounts, which for the 2015/16 financial year would come to Committee in September 2016. It was envisaged that in future years, the Council's external auditors, KPMG, would move towards achieving the tighter deadline of July imposed upon them.

This challenging timescale could only be achieved by Financial Services if they received full co-operation and support from Audit Committee, Strategic Alliance Management Team and all budget officers. All staff with a role in the closedown process had received clear instructions including a budget timetable by which key tasks needed to be concluded.

Moved by Councillor D. McGregor and seconded by Councillor M.J. Dooley

RESOLVED that (1) the changes to the final accounts timetable be noted,

(2) Audit Committee agree to support Financial Services in achieving the new deadlines.

(Executive Director – Operations)

0928. REPORTS OF THE EXECUTIVE DIRECTOR OPERATIONS; AUDIT COMMITTEE WORK PROGRAMME 2016/17

Members considered a report in relation to an appropriate Work Programme for Audit Committee for 2016/2017.

The absence of a work programme was one of the main issues identified at the Audit Committee meeting held on 18th January 2016 when Members undertook a self assessment of the Committee's effectiveness against the CIPFA / SOLACE benchmarks for an Audit Committee.

As Committee considered a range of financial and governance issues on a regular basis it was appropriate that an Annual Work Programme be agreed.

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A proposed Work Programme for 2016/17 was set out in an appendix to the report and Members were asked to note that the Plan should be viewed as having an element of flexibility, although it was important that all the reports outlined were considered by the Committee at some stage during the year.

The draft work programme would enable Members to give structured consideration as to whether the proposed agenda items were appropriate and served to meet the objectives of the Committee in the light of accepted good practice.

The Executive Director – Operations informed the meeting that it was proposed to set up an Audit Forum across Derbyshire with guest speakers including KPMG and other councils. This would potentially offer a cost effective approach to securing appropriate training for Members of the Audit Committee.

Moved by Councillor D. McGregor and seconded by Councillor M.J. Dooley
RESOLVED that the proposed Audit Committee Work Plan for 2016/17 be approved.

(Executive Director – Operations)

Councillor Clifton entered the meeting at this point.

0929. REPORTS OF THE EXECUTIVE DIRECTOR OPERATIONS; KEY ISSUES OF FINANCIAL GOVERNANCE

Committee considered a report of the Executive Director – Operations in relation to the Key Issues of Financial Governance.

The report provided an update to Members concerning the main issues of financial governance where further progress or ongoing monitoring was required. In particular the report outlined 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 Key Issues of Financial Governance were set out in an appendix to the report and in the view of the Chief Financial Officer constituted the main Strategic Issues of Financial Governance currently facing the Council.

Moved by Councillor M.J. Dooley and seconded by Councillor D. McGregor
RESOLVED that the report be received.

0930. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS; LOCAL GOVERNMENT BUDGET SURVEY

Members considered a document of the Council's external auditors, KPMG, in relation to a local government survey on budget monitoring.

The Survey document was a national report and was aimed at helping KPMG clients to take a fresh look at their approach to budget setting and monitoring.

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The document, along with a slide presentation, had also been presented to Budget Scrutiny Committee at its meeting on 7th March 2016.

Tony Crawley, KPMG, noted that audit committees faced a challenging task arising from the complexity of local authority accounting arrangements; however, it was important for Members to provide constructive challenge to the financial information presented to them.

A Member noted the uncertainty around business rates which were currently some 40% of the Council's overall income and he queried what may happen if there was a drastic change from the Government. The Executive Director – Operations replied that the Government had not yet provided any details about how the localisation of business rates would work. This was still out to consultation. If risks increased then the Council may need to look at the level of reserves which it had available to help manage such risks.

A discussion took place.

Moved by Councillor D. McGregor and seconded by Councillor S.W. Fritchley
RESOLVED that the KPMG report, Local Government Budget Survey, be noted.

The meeting concluded at 1450 hours.