

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber on Monday 21st November 2016 at 1000 hours.

PRESENT:-

Members:- Councillors J.A. Clifton, M.J. Dooley, S.W. Fritchley and T. Munro.

Officers: - B. Mason (Executive Director – Operations), D. Clarke (Assistant Director – Finance, Revenues and Benefits), J. Williams (Internal Audit Manager) and A. Bluff (Governance Officer).

Also in attendance was T. Crawley (Audit Team Lead – KPMG).

Mrs J.R. Jaffray (Cooptee Member) in the Chair

0462. APOLOGIES

Apologies for absence were received on behalf of Councillor A.M. Syrett and Councillor K. Reid (Portfolio Holder).

0463. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

0464. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0465. MINUTES – 21ST SEPTEMBER 2016

Moved by Councillor T. Munro and seconded by Councillor S. W. Fritchley
RESOLVED that the Minutes of an Audit Committee meeting held on 21st September 2016.

0466. REPORTS OF THE EXTERNAL AUDITOR (KPMG); ANNUAL AUDIT LETTER 2015/16

Committee considered the Annual Audit Letter 2015/16 which had been prepared by KPMG.

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A summary of reports issued since the last Annual Audit Letter was detailed in a table contained in the report.

KPMG's work concluded that the planning assumptions made by the Authority were reasonable and officers recognised that there were significant uncertainties about the future of local government financing, for example, the details on reform to Business Rates and New Homes Bonus.

KPMG had reviewed the outcome of the 2016/17 budget setting process. The Medium Term Financial Plan set out a savings target of £0.057m for 2016/17 in order to secure a balanced budget. Given the scale of the challenge that faced the Authority in future years, it was important that the savings were secured by underlying reductions in expenditure or increases in income in order to secure the projected financial savings of £1.4m which were anticipated to be required by 2018/19.

KPMG's fee for 2015/16 was £50,868 – this compared to a planned fee of £49,410. The reasons for the variance were an increased fee for the audit of the financial statements reflecting additional work undertaken to review exit package disclosures of £859 and additional substantive testing undertaken in respect of HRA housing repairs and maintenance of £599. Further detail was contained in an appendix to the report.

The Executive Director – Operations considered that KPMG's report was a good report for the Authority.

Members welcomed the report and recognised that the Authority needed to go forward with caution.

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

0467. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS BUDGET MONITORING REPORT – QUARTER 2 (JULY TO SEPTEMBER 2016)

Committee considered a report which provided a summary of budget monitoring undertaken for the July to September 2016 quarter. The report would also be presented to Executive on 28th November 2016.

The report covered the General Fund, the Housing Revenue Account and the Capital Programme.

The following was a summary of the financial issues and implications which were covered in detail in the relevant sections throughout the report.

General Fund - The monitoring position showed a net favourable variance position in the second quarter of £0.823m. While much of this was due to the timing of payments it did indicate that the Council should secure a 'one off' financial saving at the year end. This view was supported by the work undertaken in respect of the Revised Budgets.

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HRA - In the second quarter, the HRA was showing a net under spend of £0.696m and it was anticipated that it would be in a break even position at the year end. Again, the work on the Revised Budgets indicated that the position should be better at the end of the financial year than had been anticipated in the current budgets.

Capital Expenditure - There were no significant areas of concern to report regarding the capital programme in the second quarter of 2016/17.

Capital Income - The Council had sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the second quarter.

Treasury Management - There were no significant areas of concern to report regarding Treasury Management activities in the second quarter of 2016/17 which had been conducted in line with the agreed Treasury Management Strategy.

In overall terms, the budget monitoring supported the view that the Council will be able to operate within the context of the approved budgets and will secure its financial savings target by the year end.

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

0468. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS STRATEGIC RISK REGISTER AND PARTNERSHIP ARRANGEMENTS

Committee considered a report which provided an update on the Council's latest position with regard to Risk Management, Partnership Working and the Strategic Risk Register as at 30th September 2016. The report would also be presented to Executive on 28th November 2016.

At recent quarterly performance meetings, the three key issues raised continued to be around the impact of Brexit, the pace of legislative change and the ability to recruit and retain appropriately qualified staff.

Both the uncertainties arising from Brexit, together with the impact of legislative change were covered within the same Strategic Risk (Risk 1) as outlined in the appendix to the report. This Risk concerned the impact of a wide range of national issues upon the Council and the services it delivered to local residents.

Loss of key staff and the difficulties being experienced in finding suitable replacements continued to be a widespread concern expressed by managers. While a limited number of services were experiencing significant problems, it was clear that all areas of work were now finding it difficult to attract suitable candidates at a time when the Council was experiencing an increase in staff turnover. This issue already featured within the Strategic Risk Register and was detailed as Risk 3 in the appendix to the report.

A series of training sessions for senior managers which covered the issue of Risk Management had been held in 2014 and 2015 and training was also provided to the

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Budget Scrutiny Committee in September 2015. Consideration was currently being given as to what further training would be appropriate.

In dealing with the Government's recent autumn statement, future areas of concern for the Council in managing risk would be around how NNDR would fluctuate and what would transpire with New Homes Bonus.

The Council would need to look at other ways of generating income and reducing costs in which the Audit Committee needed to play a significant active role. There were already some areas, for example, the new Leisure Centre facilities at Clowne, which would save the Council a significant amount of cost, while other schemes such as replacing lights in the Arc with LED lighting, which would be less expensive to run, were under consideration.

In response to a Member's question, the Assistant Director, Revenues and Benefits, advised the meeting that vacancy savings money was used for employing agency staff and no additional costs were incurred.

Moved by Councillor T. Munro and seconded by Councillor S.W. Fritchley
RESOLVED that the report be noted.

0469. 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 as presented earlier on the agenda.

While the evidence provided within this report indicated that the Council's financial governance arrangements were robust and were continuing to improve, it was important that this progress was maintained and outstanding issues were resolved.

The Key Issues of Financial Governance were set out below and in the view of the Chief Financial Officer constituted the main strategic financial issues currently facing the Council;

1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.

The Council had a good record in respect of achieving targeted levels of savings over the past few years. On the basis of current budget monitoring reports, the shortfall in respect of the current financial year 2016/17 had been effectively resolved. The report, however, identified a shortfall in excess of £1m over the final two years of the Medium Term Financial Plan which needed to be addressed at the earliest opportunity. Against this background it was important

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that the Council continued to progress its growth and transformation strategies to secure financial sustainability and to be able to address the identified shortfall.

In addition to the position in respect of the General Fund as outlined in the report, the Council in common with all social landlords would be required to implement a 1% per annum rent reduction over the next four years. This policy together with changes in Right to Buy and the welfare system had a significant detrimental impact on the Council's HRA and the Council would need to continue to actively manage the position to ensure that the 30 year business plan remained robust.

Progress in both these areas would continue to be reported as part of the Council's quarterly budget monitoring process.

2. To improve the Council's Internal Control arrangements.

The Key Issues of Financial Governance report, together with reports from Internal and External Audit, should enable the Audit Committee to monitor the progress being made in respect of maintaining the quality of and securing improvements in internal control arrangements. Internal Audit had undertaken a more prominent role in the Council's Performance Management arrangements since April 2013.

Comprehensive training programmes had been delivered to all cost centre managers during the summer of 2014 with a further programme completed during the autumn of 2015. A further programme of training was planned to be provided prior to April 2017.

Progress reports from the Head of Internal Audit to the Audit Committee would continue to highlight where areas had been assessed as marginal in respect of internal control.

3. 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.

The Council had continued to improve the quality of its financial accounts with the Audit report in 2015/16 concluding that its arrangements were robust. That standard needed to be maintained against a background of the significant reputational impact of not securing an unqualified external audit conclusion and the reality that good financial reporting was generally a sign of wider robust financial management. Accordingly the position would continue to be monitored as part of the Key Issues of Financial Governance report.

Members noted that the council's financial accounts were of a consistent high standard.

Moved by Councillor S.W. Fritchley and seconded by Councillor T. Munro
RESOLVED that the report be noted.

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0470. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS SELF EVALUATION OF 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.

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.

An area identified where improvement was necessary related to the need to improve the training arrangements for Members of the Committee.

The meeting concluded at 1510 hours.