

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber, the Arc, Clowne on Monday 16th January 2017 at 1400 hours.

PRESENT:-

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

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 at the meeting was K. Meats (Audit Manager, KPMG), Cecilie Booth, Client Director, Arlingclose Ltd and Councillor K. Reid (Portfolio Holder).

Mrs R. Jaffray (Cooptee Member) in the Chair

0591 A. APOLOGIES

Apologies for absence were received on behalf of Councillor M.J. Dooley and T. Crawley (Audit Team Lead – KPMG).

0591 B. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

0591 C. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0591 D. CHANGE TO ORDER OF BUSINESS

The Chair consented to a change in order of business to that stated on the agenda. To alleviate waiting time for Cecilie Booth, Client Director, Arlingclose Ltd; Cecilie's presentation on Treasury Management for Members, (*which was part of Agenda Item 10; Report of the Executive Director – Operations; Medium Term Financial Plan 2017/18 to 2020/21*), would be considered after agenda item 6; Report of the External Auditor (KPMG) – BDC Technical Update – January 2017.

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0591 E. MINUTES – 21ST NOVEMBER 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 November 2016 be approved as a correct record.

0591 F. REPORTS OF THE EXTERNAL AUDITOR (KPMG); BOLSOVER DISTRICT COUNCIL GRANTS ANNUAL REPORT 2015/16

Committee considered a report of KPMG which summarised the results of work carried out on the Council's 2015/16 grant claims and returns.

Members were asked to note that KPMG's fee for work on the Council's Housing Benefit Subsidy claim for 2015/16 exceeded the original estimate due to the necessity of undertaking additional work. In the light of this, a recommendation from KPMG was that targeted training should be provided to all benefit assessors to ensure that;

- the correct figures were being identified for State Related Pension,
- assessors knew how to calculate earned income correctly,
- assessors knew when an overpayment should be classified as claimant error and when it should be classified as local authority error.

A short discussion took place.

The Executive Director – Operations informed the meeting that a training programme would be put in place and timescales regarding this were being looked at.

Moved by Councillor A.M. Syrett and seconded by Councillor T. Munro
RESOLVED that the report of the external auditors, KPMG, be noted.

(Executive Director – Operations)

0591 G. REPORTS OF THE EXTERNAL AUDITOR (KPMG); BOLSOVER DISTRICT COUNCIL TECHNICAL UPDATE – JANUARY 2017

Committee considered an external audit progress report and technical update which had been prepared by KPMG.

An appendix to the report set out the 2016/17 audit deliverables from KPMG.

Members' attention was drawn to a new report published by CIPFA titled 'Understanding Local Authority Financial Statements'. A website link to the report was provided for Members' information.

Further to this, CIPFA/LASAAC had undertaken a consultation on proposals for the 2017/18 Code of Practice on Local Authority Accounting in the UK. The headline changes were set out in the report and a website link to the details of the consultation was also provided for Members' information.

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KPMG would be running a series of local government accounts workshops in February and the Executive Director – Operations confirmed that the Council's Chief Accountant would be attending one of the workshops.

Moved by Councillor S. Fritchley and seconded by Councillor A.M. Syrett.
RESOLVED that the report be noted.

**0591 H. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS;
 MEDIUM TERM FINANCIAL PLAN 2017/18 TO 2020/21 –
 (INCLUDING PRESENTATION BY CECILIE BOOTH, CLIENT
DIRECTOR, ARLINGCLOSE LTD)**

Committee considered a presentation given by Cecilie Booth, Client Director from Arlingclose Ltd, who where the Council's Treasury Management advisors.

The presentation focused on;

- Treasury Management Framework – Legislation and Guidance and the role of Elected Members,
- Risk and Reward – Security, Liquidity and Yield,
- External Context – Financial Market Conditions, Interest Rate Forecast and Bank Regulation,
- Local Context – Investment and Debt; Current and Forecast, Comparison with other local authorities
- Options for the Future.

A Member's question and answer session followed the slide presentation.

Members thanked Cecilie for an informative presentation.

**0591 I. REPORTS OF THE INTERNAL AUDIT CONSORTIUM;
 SUMMARY OF PROGRESS ON THE 2016/17 AUDIT PLAN**

Committee considered a report in relation to progress made by the Internal Audit Consortium on the 2016/17 Internal Audit Plan during the period 10th September 2016 to 3rd January 2017.

The report included a summary of Internal Audit Reports issued during the period and work in progress.

Two of the reports had been issued as marginal and these related to Section 106 agreements and Use of Social Media. The Executive Director – Operations noted that further detailed (exempt) information regarding these two reports had been provided to Members separately.

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

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The following audits were currently in progress;

- Housing Rents
- Housing Repairs
- Homelessness
- Payroll

Members raised concern regarding the two marginal reports and requested that the two relevant Directors responsible for implementing the recommendations arising from the audits be requested to attend the next meeting of Audit Committee to provide an update to Members.

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

RESOLVED that 1) the report be noted,

2) the two relevant Directors responsible for implementing the recommendations arising from the audits of Section 106 agreements and Use of Social Media attend the next meeting of Audit Committee to provide an update to Members.

(Executive Director – Operations)

0591 J. REPORTS OF THE INTERNAL AUDIT CONSORTIUM; EXTERNAL REVIEW OF INTERNAL AUDIT

Committee considered a report which provided the results of an external audit review of internal audit under taken in October 2016.

The Public Sector Internal Audit Standards (PSIAS) were introduced on 1st April 2013 and Internal Audit had been working to these standards since that date.

The PSIAS required that an external assessment of internal audit should be carried out at least once every 5 years by a qualified, independent assessor or team.

The first external assessment needed to be complete by April 2018 and a tender exercise had been carried out with the work awarded to Gateway Assure.

The external assessment involved a review of the Consortium's documentation; working practices, committee reports and discussions with the Internal Audit Consortium Manager and client officers at each Council.

The report concluded that the Internal Audit Consortium complied with the requirements of the PSIAS and this meant that Members could have confidence in the service provided by the audit team.

The outcome of the review had also been benchmarked against other provision in both the sector and the wider industry and showed that the team compared favourably in comparison with its peers.

The report made some recommendations that were aimed at highlighting where further development could be made to enhance the value of the service being provided. The

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assessor's full report and an action plan were attached as an appendix to the report for Members' information.

The Internal Audit Manager advised the meeting that if Members approved the action plan it would be implemented and an update report presented to Committee at its meeting in June.

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

RESOLVED that 1) the results of the external review of internal audit be noted,

2) the action plan be approved and an update report be presented to Audit Committee in June 2017.

(Internal Audit Manager)

0591 K. REPORTS OF THE INTERNAL AUDIT CONSORTIUM; PROPOSED NEW SYSTEM OF INTERNAL AUDIT REPORT CLASSIFICATIONS

Committee considered a report which sought approval of a revised system of classification for the internal audit opinions issued as the conclusion for each report.

The present internal audit report classifications had been utilised since the commencement of the Consortium and whilst they were "tried and tested", current best practice was to focus more on the level of assurance that could be given with regard to the area being audited - this also linked more closely with the Annual Governance Statement. The external reviewer had also recommended considering moving towards providing levels of assurance linked to risk.

Following a review of other councils' systems of classification and discussions with the Consortium's client officers, it was proposed that a new system based on four levels of assurance classification be adopted from the 2017/18 financial year as follows;

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

Moved by Councillor A.M. Syrett and seconded by Councillor T. Munro

RESOLVED that 1) the report be received,

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2) the revised internal audit report opinion classifications be introduced from the commencement of the 2017/18 internal audit plan year.

(Internal Audit Manager)

0591 L. REPORTS OF THE EXECUTIVE DIRECTOR OPERATIONS; KEY ISSUES OF FINANCIAL GOVERNANCE

Committee considered a report which provided an update on progress concerning the implementation of previous recommendations from both external and internal audit.

The report reflected KPMG's Annual Audit Letter 2015/16 and the more detailed ISA 260 report, both of which had been presented to a previous Audit Committee. The report also reflected the latest update from Internal Audit concerning progress on the Internal Audit Plan as discussed earlier on the agenda together with planned management action to address the issues identified.

In the view of the Chief Financial Officer, the Key Issues of Financial Governance which constituted the main strategic financial issues currently facing the Council, were as follows;

- Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan. An update on this matter would effectively be provided in the MTFP which would be reported to Executive and Council in February 2017.
- To improve the Council's Internal Control arrangements. The Executive Director - Operations advised the meeting of the Derbyshire Audit Forum, facilitated by KPMG, which should help inform an assessment of the Council's performance in this area. Feedback from the Forum, for which Members of the Audit Committee had received an invitation, would be provided to the Audit Committee meeting in April.
- 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. Draft account policies would be presented for consideration at the Audit Committee meeting in April.

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

RESOLVED that the Strategic Issues of Financial Governance as set out in the report reflect the key issues facing the Council.

(Executive Director – Operations)

The meeting concluded at 1555 hours.