

## **AUDIT COMMITTEE**

Minutes of a meeting of an Extraordinary Audit Committee of the Bolsover District Council held in the Council Chamber on Tuesday 16<sup>th</sup> May 2017 at 1400 hours.

### **PRESENT:-**

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

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

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

### **0885A. APOLOGIES**

There were no apologies for absence.

### **0885B. URGENT ITEMS OF BUSINESS**

There were no urgent items of business to consider.

### **0885C. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **0885D. MINUTES – 11<sup>TH</sup> APRIL 2017**

Moved by Councillor S.W. Fritchley and seconded by Councillor D. McGregor  
**RESOLVED** that the Minutes of an Audit Committee held on 11<sup>th</sup> April 2017 be approved as a correct record.

### **0885E. REPORTS OF THE INTERNAL AUDIT CONSORTIUM;**

#### **(A) SUMMARY OF PROGRESS ON THE 2016/17 INTERNAL AUDIT PLAN**

Committee considered a report of the Internal Audit Consortium Manager which detailed progress made by the Audit Consortium during the period 18th March 2017 to 28th April 2017, in relation to the 2016/17 Internal Audit Plan.

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

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In respect of the six audits being reported, three had been given an audit opinion of good, one satisfactory, one unsatisfactory and one marginal.

The unsatisfactory audit report was in respect of 'Transport' and it was confirmed that a potential issue in relation to fraud had arisen as a result of a whistle blowing complaint.

The Assistant Director - Street Scene had referred the issue to the Police (Action Fraud Unit) and had also held a meeting with them to discuss the position. Officers were not aware of what response the Police were proposing to take in respect of this issue.

The following audits were currently in progress;

- Sickness absence
- Business Continuity
- Land Charges
- Housing Allocations and Lettings

During discussion of the report it was agreed that there would be an amendment to the Audit Plan with regard to Disabled Facilities Grants, which would be the subject of an Audit while Risk Management, which was in the current plan, would be deferred until the next financial year in order to operate within the context of the Audit resource available.

Moved by Councillor A.M. Syrett and seconded by Councillor M.J. Dooley

**RESOLVED** that 1) the report be noted,

2) the Audit Plan be amended to include work on Disabled Facilities Grant, and work on Risk Management be delayed until the Audit Plan in respect of the next financial year.

(Executive Director – Operations/Internal Audit Manager)

### **(B) INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2016/17**

Committee considered a report of the Internal Audit Consortium Manager which presented a summary of internal audit work undertaken during 2016/17 from which the opinion on the internal control environment was derived.

It was noted that 84% of the 31 internal audit reports (detailed in Appendix 1 to the report) issued during the year had received a good or satisfactory opinion and this showed that there were effective systems of governance, risk management and control in place.

Four marginal reports were issued during the year; Taxi Licensing, Section 106, Use of Social Media, Health and Safety and one unsatisfactory report, Transport. With respect to these areas only limited assurance on the reliability of internal controls could be given, however, management had agreed the recommendations made and were actively working to implement them and these would be tracked through quarterly directorate meetings and the Perform management system. Transport would be re-visited by internal audit in 2017/18 to ensure that the control environment had been strengthened.

In respect of Health and Safety, although a marginal report had been issued for a second year, it was evident that improvement had been made and that systems were in the process of becoming embedded.

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There were no unsound reports issued during the year.

In respect of the 2016/17 Internal Audit Plan; 100% of the Plan would be completed; however, two reports in respect of Business Continuity and Sickness Absence Management were in the process of being finalised. These reports would be issued and reported during the 2017/18 financial year.

During 2016/17, a self assessment was undertaken to review the Consortium's compliance with the Public Sector Internal Audit Standards (PSIAS). The review confirmed that there were no significant areas of non compliance.

In October 2016, an external review was also undertaken and this had concluded that the Consortium was compliant with, and in places, exceeded the requirements of the PSIAS, however, a number of recommendations had been made to further enhance the service and progress made against the action plan was detailed in Appendix 2 to the report.

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

### 0885F. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS;

#### (A) ANNUAL GOVERNANCE STATEMENT AND LOCAL CODE OF CORPORATE GOVERNANCE

Committee's agreement was sought to the conclusions and content of the Annual Governance Statement which it was proposed to incorporate within the Council's Statement of Accounts for 2016/17.

Preparation of the Statement of Accounts needed to be undertaken in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework, which set out the fundamental principles of corporate governance that needed to be addressed. This guidance had been revised and reissued in 2016 and this was the first year for which the revised guidance applied.

The draft Annual Governance Statement was attached at Appendix 1 to the report and any necessary final changes together with the audited accounts would be brought back to the July meeting of Audit Committee for Members information.

The Code of Governance was attached at Appendix 2 to the report for Members information and this would require publishing on the Council's website.

Moved by Councillor A.M. Syrett and seconded by Councillor M.J. Dooley  
**RESOLVED** that (1) the draft Annual Governance Statement be noted,

(2) the local Code of Corporate Governance as set out in Appendix 2 to the report be approved and published on the Councils' Website,

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(3) having reviewed the effectiveness of the Governance Framework, Audit Committee are satisfied that the Council's governance and internal control arrangements are fit for purpose,

**RECOMMENDED** that (4) a briefing concerning the Annual Governance Statement and the local Code of Corporate Governance be provided to a future meeting of Council.

(Executive Director - Operations /Governance Manager)

### (B) ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

Committee considered a report of the Executive Director – Operations in relation to an annual review by the Chief Financial Officer of the effectiveness of the Council's internal audit arrangements and whether the conclusion set out in the report represented a reasonable evaluation of the position in respect of the Internal Audit service and its effectiveness as part of the Council's Governance arrangements.

The Accounts and Audit Regulations required local authorities to follow proper accounting practices and to maintain an appropriate regime of internal control.

These Regulations required that the Council would on at least an annual basis conduct a review of the effectiveness of its internal audit service and that this review would be considered by a committee of the Council as part of the wider consideration of the system of internal control. Given the role of the Audit Committee in relation to financial governance and internal control issues, it was appropriate that the report was brought before Audit Committee for consideration.

The Chief Financial Officer in reviewing the effectiveness of the Council's Internal Audit Service during 2016/17 was satisfied that an effective service had been provided and his overall conclusion regarding the service was as follows:

"It is my opinion that the Council's Internal Audit section which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service upon which I can place reliance."

The report outlined the evidence which supported the Chief Financial Officer's judgement and Committee was asked to consider and comment upon the reasonableness of the judgement made.

Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett

**RESOLVED** that Audit Committee endorses the views of the Chief Financial Officer in his assessment of the Internal Audit Service during the 2016/17 financial year as follows;

"It is my opinion that the Council's Internal Audit function which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service which I can place reliance on."

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### **(C) KEY ISSUES OF FINANCIAL GOVERNANCE**

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

The purpose of the report was to track progress concerning the implementation of previous recommendations from both external and internal audit and to inform Audit Committee of progress in addressing the recommendations.

The Key Issues of Financial Governance were set out in an appendix to the report which in the view of the Chief Financial Officer constituted the main Strategic Issues of Financial Governance currently facing the Council.

The Strategic Issues were consistent with the conclusions of the External Auditors (KPMG) report on the outcome of the 2015/16 Audit. The key messages from that report concerned firstly the quality of the Statement of Accounts where the external auditors issued both an unqualified opinion by 30<sup>th</sup> September 2016, while concluding that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. While the overall conclusions were a very satisfactory outcome for the Council, the detail of the report did identify a limited number of areas where improvement was required and helped clarify where the Council needed to focus efforts to ensure that existing standards were maintained.

The Council was currently in the process of finalising its Statement of Accounts in respect of the 2016/17 financial year, with the result that the positive outcome of the previous year's audit (2015/16) was now of less relevance for Audit Committee to consider as it was in the process of being updated.

With regard to the value for money conclusion and the associated risk areas; whilst current arrangements were operating well and were fit for purpose, they would need to continue to evolve in the light of changing circumstances if the Council was to continue to secure a positive assessment; the main issue identified were as follows:

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 approaching £2m over the next four financial years. In addition to the currently identified savings target, the report noted that there were a range of risks or financial uncertainties that were currently facing the Authority which would need to be effectively managed if the Council was to secure continued financial sustainability.

The increase in the number of 'critical' audit reports was clearly a concern for the Committee and this would need to be addressed over the 2017/18 financial year. However, it did need to be recognised that the 5 'critical' audit reports were only 16% of the 31 reports issued. All of the reports in respect of key financial systems resulted in a satisfactory or good conclusion providing appropriate assurance concerning some of the key areas of risk. Members should note that the Council had adopted a high standard in respect of the audit reports that were selected for corporate action and that management had become more proactive in identifying areas of concern to be included within the Internal Audit Plan. These factors needed to be considered in arriving at any overall conclusion concerning the effectiveness of internal control arrangements.

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In response to a Member's query on how Audit Committee's concerns were fed back to relevant officers, the Executive Director – Operations and the Internal Audit Manager jointly replied that this took place through the Council's Performance Management Framework. Feedback was given and progress in implementing recommendations was monitored. The requirement for service managers to attend Audit Committee where issues were identified with internal controls was a significant deterrent. The Executive Director – Operations added that there was a positive culture in the Council; Members of the Audit Committee took their responsibilities seriously, senior Officers attended Audit Committee to be held to account and the Performance Management Framework ensured recommendations were accessed in a timely fashion.

Moved by Councillor A.M. Syrett and seconded by Councillor M.J. Dooley  
**RESOLVED** that the report be received.

### **0885G. THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

Moved by Councillor A.M. Syrett and seconded by Councillor M.J. Dooley  
**RESOLVED** that under Section 100(A)(4) of the Local Government Act 1972 (as amended), the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the stated Paragraph of Part 1 of Schedule 12A of the Act and it is not in the public interest for that to be revealed.

### **0885H. UPDATE ON ADDRESSING ISSUES IDENTIFIED IN MARGINAL AUDIT REPORTS**

Committee considered two confidential reports of the Internal Audit Consortium in relation to Health and Safety and Licensing.

Discussion took place around the systems in place for both services.

Members agreed that the officers responsible for Health and Safety and Licensing be requested to attend the next meeting of Audit Committee.

Moved by Councillor A. M. Syrett and seconded by Councillor S.W. Fritchley  
**RESOLVED** that (1) the Internal Audit reports in relation to Health and Safety and Licensing be noted,

(2) officers responsible for Health and Safety and Licensing be requested to attend the next meeting of Audit Committee to be held on 25<sup>th</sup> July 2017.

(Executive Director – Operations)

As this was his last meeting before retiring from the Council, the Chair thanked the Executive Director – Operations for all his hard work and what he had done for the Council during his five years.

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Members supported the Chair's comments and Councillor Syrett added that Bryan had overcome some difficulties for the Council and with great success; Members appreciated all the hard work he had carried out and he would be sorely missed. The Committee wished him a happy, relaxing retirement.

The Executive Director – Operations thanked the Committee for their good wishes. He also wished to place on record his appreciation of the support he had received from the Committee over the previous five years. He commented that the improvement which had been secured had only been possible because of the support and backing of the Audit Committee. By working together some difficult issues had been resolved and the Council was in a better position as a result of robust challenge from the Committee. He commented that an active and constructive Audit Committee was essential for the effective Governance of the Council and he knew he could rely on the Committee to provide the same support to his successor as he himself had benefitted from.

The meeting concluded at 1440 hours.