Bolsover District Council

Date: 29th March 2018

The Arc
High Street
Clowne
Derbyshire
S43 4JY

Dear Sir or Madam

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held on Tuesday 10th April 2018 at 1400 hours in the Council Chamber, The Arc, Clowne.

Register of Members' Interests - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised on page 2.

Yours faithfully

Sarah Sternberg

Assistant Director of Governance and Monitoring Officer
To: Joint Head of Corporate Governance and Monitoring Officer

ACCESS FOR ALL

If you need help understanding this document or require a larger print or translation, please contact us on the following telephone number:-

☏ 01246 242529 Democratic Services
Fax: 01246 242423

AUDIT COMMITTEE

AGENDA

Tuesday 10th April 2018 at 1400 hours in the Council Chamber, The Arc, Clowne

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber, The Arc, Clowne on Tuesday 23rd January 2018 at 1400 hours.

PRESENT:-

Independent Member:-

R. Jaffray in the Chair

Members:-

Councillors M. Dooley, S.W. Fritchley and A.M. Syrett

Officers:-

K. Hanson (Strategic Director), D. Clarke (Assistant Director – Finance and Revenues & Benefits), P. Campbell (Assistant Director – Community Safety and Head of Housing (BDC)), J. Williams (Internal Audit Consortium Manager), E. Smith (Auditor) and A. Brownsword (Senior Governance Officer)

Also in attendance was Mr. T. Crawley, KPMG (External Audit)

0543. APOLOGIES

Apologies for absence were received from Councillors J.A. Clifton, D. McGregor and K. Reid

0544. URGENT ITEMS OF BUSINESS

There were no urgent items of business.

0545. DECLARATIONS OF INTEREST

There were no declarations of interest.

0546. MINUTES – 21ST NOVEMBER 2017

Moved by Councillor A.M. Syrett and seconded by Councillor M. Dooley
RESOLVED that with the addition of R. Jaffray (Independent Member) being present, the minutes of a meeting of the Audit Committee held on 21st November 2017 be approved as a true and correct record.

0547. REPORT OF THE EXTERNAL AUDITOR
EXTERNAL AUDIT PLAN

T. Crawley (KPMG) presented the report which contained details of the Audit Plan 2017/2018 prepared by KPMG.

The Audit Plan contained details of the financial statement audit, value for money (VFM) arrangements and risk assessments. Significant audit risks included valuation of Property, Plant and Equipment (PPE) and pension liability. Other areas of audit focus included the faster close of accounts, departure of Executive Directors and the Dragonfly Development Ltd joint venture with Woodhead Regeneration Ltd.

It was noted that further details on the areas of audit focus would be reported to Committee via a progress report.

Moved by Councillor A.M. Syrett and seconded by Councillor M. Dooley
RESOLVED that the report of the Council's External Auditors, KPMG, in respect of the external Audit Plan 2017/2018 be noted.

0548. REPORT OF THE INTERNAL AUDIT CONSORTIUM
CIPFA FRAUD AND CORRUPTION TRACKER SURVEY 2017

The Internal Audit Consortium Manager presented the report which gave details of the results of the CIPFA Fraud and Corruption Tracker (CFaCT) survey which provided a picture of fraudulent activity in local government.

The report also detailed the controls and procedures that the Council had in place to mitigate the risk of fraud.

Moved by Councillor S.W. Fritchley and seconded by Councillor M. Dooley
RESOLVED that (1) the results of the CIPFA Fraud and Corruption Tracker Survey be noted,

(2) the fraud prevention measures that the Council has in place, be noted.

0549. REPORT OF THE INTERNAL AUDIT CONSORTIUM
NATIONAL FRAUD INITIATIVE 2016/17 – SUMMARY OF PROGRESS TO DATE

The Internal Audit Consortium Manager presented the report which gave a summary of the results of the 2016/17 National Fraud Initiative (NFI) for Bolsover District Council to date.

It was noted that following a data matching exercise 1835 potential fraud cases approximately 50% had been reviewed. No cases of fraud had been identified, but 6 errors had been found totalling £9,022.71.

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

0550. REPORT OF THE INTERNAL AUDIT CONSORTIUM SUMMARY OF PROGRESS ON THE 2017/18 INTERNAL AUDIT PLAN

The Internal Audit Consortium Manager presented the report which gave Committee information on the progress made by the Audit Consortium in relation to the 2017/18 Internal Audit Plan. The report included a summary of Internal Audit Reports issued from the beginning of November 2017 to the beginning of January 2018.

It was noted that no fraud issues had been identified in respect of the areas reviewed and audits were currently in progress on Taxi Licensing, Debtors, Grounds Maintenance, Safeguarding and Housing Repairs.

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

0551. CHANGE TO ORDER OF BUSINESS

With the permission of the Chair the order of business was changed.

0552. REPORT OF THE ASSISTANT DIRECTOR – FINANCE AND REVENUES AND BENEFITS KEY ISSUES OF FINANCIAL GOVERNANCE

The Assistant Director – Finance and Revenues & Benefits presented the report which tracked progress concerning the implementation of previous recommendations from both External and Internal Audit and informed Committee of the progress in addressing those recommendations.

It was noted that the Council was still on track to make a contribution to the reserves of £780,000 and that due to the shortened deadline for the completion of the Council's accounts, the finance department may find it difficult to provide support to other departments during April and May.

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

0553. REPORT OF THE ASSISTANT DIRECTOR – FINANCE AND REVENUES & BENEFITS
MEDIUM TERM FINANCIAL PLAN

The Assistant Director – Finance and Revenues & Benefits circulated a document which gave details of the 2017/18 estimated budget outturn and the 2018/19 estimated budget.

The financial settlement had been received and the Council had been awarded the business rates pilot. The Council was still on track to make the £780,000 savings and there were projected savings for 2018/19.

It was hoped that the new Transformation Programme would add to the potential savings, but some items may need further investment.

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

The meeting concluded at 1442 hours.

Agenda Item No. 5(A)

Bolsover District Council

Audit Committee

10 April 2018

KPMG External Audit: Progress Report and Technical Update

Report of the Council's External Auditor KPMG

This report is Public

Purpose of the Report

- For the Audit Committee to consider the Progress Report and Technical Update attached as **Appendix 1** which has been prepared by KPMG for consideration by elected Members of the Council.

1 Report Details

1.1 That the Audit Committee consider the attached report from the Council's External Auditors (KPMG).

2 Conclusions and Reasons for Recommendation

2.1 To ensure that the Audit Committee is able to effectively consider the outcomes of the work undertaken by the Council's external auditors.

3 Consultation and Equality Impact

3.1 None arising directly from the report.

4 Alternative Options and Reasons for Rejection

4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

There are no additional financial implications arising out of this report.

5.2 Legal Implications including Data Protection

None arising directly from this report.

5.3 Human Resources Implications

None arising directly from this report.

6 Recommendations

6.1 That the Audit Committee considers and notes the attached report from the Council's External Auditors, KPMG.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 ☐ Capital - £150,000 ☐ NEDDC: Revenue - £100,000 Capital - £250,000 * Please indicate which threshold applies	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	Robust financial Governance arrangements underpin the effective operation of the Council and its ability to secure the full range of Corporate Plan Priorities.

8 Document Information

Appendix No	Title
1	Progress Report and Technical Update
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	**Contact Number**
Dawn Clarke – Head of Finance & Resources	7658

External Audit: Progress Report and Technical update

Bolsover District Council

April 2018

April 2018

Contents

The contacts at KPMG in connection with this report are:

Tony Crawley
Director

KPMG LLP (UK)
Tel: +44(0)116 256 6067
tony.crawley@kpmg.co.uk

Katie Scott
Manager

KPMG LLP (UK)
Tel: +44(0) 121 232 3632
katie.scott@kpmg.co.uk

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

High impact — Medium impact — Low impact — For information

KPMG

External audit progress report

External audit progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

Area of responsibility	Commentary
Financial statements and VfM	We presented the 2017/18 audit plan for the external audit of the Authority to the January 2018 Audit Committee. We have continued to liaise with management on the significant financial and operational issues at the Council. The Authority interim audit was carried out in March 2018. The work included: • updating our risk assessments, including those covering accounting estimates, fraud, IT, service organisations and other aspects of the general control environment; • understanding the processes (systems) for the identified Significant Accounts, and testing the operation of the controls within those processes; • testing the journals and financial reporting controls; • reviewing the arrangements which are relevant to the VFM conclusion; • discussions with management to review governance of the departure of directors. A summary of which is included on page 5; and • undertaking a tax establishment review of Dragonfly. A summary of our work is included on page 6. Our work over the coming quarter will include: • ongoing liaison with finance staff and Internal Audit and further meetings with senior officers as part of the audit process to better understand the current and longer term issues that the council is addressing; • starting our final accounts audits; • revisiting our VFM conclusion risk assessment and forming our VFM conclusion for 2017/18. The results of our audit will be reported to the July 2018 Audit Committee.

External audit progress report: Director Departure

Background and scope

Within the 2017/18 year, both the Joint Executive Director – Operations and the Joint Executive Director – Transformation left their posts at North-East Derbyshire and Bolsover Councils. Their departures included payments relating to early voluntary release. We have previously commented on the authorities' practices when senior staff depart, and so need to consider the process that was followed when reaching the agreements with the two Joint Directors.

Summary findings

We met with the Joint Chief Executive towards the end of March 2018 to discuss the governance process followed and payments made. We are currently reviewing the information provided in response to our queries and expect to complete the work before the end of April 2018. We will update the Audit Committee at its next meeting on the matters arising from this work.

External audit progress report: Tax Establishment Review of Dragonfly

Background and scope

In August 2016, a new joint venture company was established with Woodhead Regeneration Ltd ('WRL'), called Dragonfly Development Limited ('Dragonfly'). The company is owned 50:50 between Bolsover District Council ('Bolsover' or 'the Council') and WRL. The company was set up to build new homes within the Bolsover area.

Dragonfly will develop and sell housing properties exclusive for open market sale on land sold to it by the Council.

As set out in our audit plan, one of our tax specialists will, for our Code audit purposes, review how the joint venture is set up.

Summary findings

We understand that legal advice was obtained by the Council and this included high-level tax advice regarding the establishment of the structure. However, detailed tax modelling and advice in connection with the ongoing operation of the company does not appear to have been sought (e.g. preparation of appropriate transfer pricing documentation, consideration of the transactions in land anti-avoidance rules, etc.). Therefore, whilst the decision to establish the JV as a limited company does not give rise to any significant immediate tax issues, in our view the Council should ensure that specific tax advice is sought in relation to the ongoing operational issues of the company and that, for future projects, such advice is sought in advance of establishment.

Based on our discussions with officers and review of documents provided, there are a number of areas of taxation which do not appear to have yet been considered in detail and these will need to be considered before the company begins its operations.

KPMG

Technical developments

NAO Report – PF1 and PF2

Level of impact: ● (For Information)	KPMG Perspective
In January 2018 the NAO published a report on Private Finance Initiative (PFI) and the introduction of a reformed model of the PFI called PF2. There are currently over 700 operational PFI and PF2 deals, with a capital value of around £60 billion, and annual charges for these deals amounted to £10.3 billion in 2016-17. The report presents information on the rationale, costs, benefits, use, and the impact of PFI, and discusses the extent to which it may be able to make savings from existing PFI contracts. The report also highlights some of the reasons for PFI reform and the introduction of PF2. The report does not suggest whether or not the PFI and PF2 models deliver value for money, but highlights the costs and benefits of entering into PFI and now the PF2. A copy of the report can be accessed from the NAO website at the following link: https://www.nao.org.uk/report/pfi-and-pf2/	Those charged with governance may wish to consider the costs and benefits of entering into PFI and PF2 arrangements.

Statutory Guidance for Local Authority Investments and the Minimum Revenue Provision

Level of impact: (For Information)

The Ministry of Housing, Communities and Local Government (MHCLG) has published its summary of responses to the consultation regarding Local Authority investments and the minimum revenue provision.

The guidance on minimum revenue provisions (MRP) applies for accounting periods starting on or after 1 April 2019, with the exception of paragraphs 27-29 of the guidance ("Changing methods for calculating MRP"), which apply from accounting periods starting on or after 1 April 2018.

The investment guidance also applies from accounting periods starting on or after 1 April 2018.

A copy of the responses can be found at the following link:

https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance

CIPFA Statement on Northamptonshire County Council being the subject of a Section 114 Notice

Level of impact: (For Information)

In February 2018 the Council's S151 officer issued a 'section 114 notice' (under the Local Government Finance Act 1988) banning all new expenditure at Northamptonshire County Council, with the exception of statutory services for protecting vulnerable people. Further to this an advisory notice (under Section 29 of the Audit and Accountability Act 2014) was issued to the Council by its external auditor which highlighted concerns about the authority's proposed budget and what they claim was an over-reliance on the use of capital receipts.

CIPFA's statement says that the news that Northamptonshire County Council is the subject of a Section 114 Notice is not surprising for three reasons.

First, the local government sector is under enormous strain following significant resource reductions since 2010. CIPFA has advised both the Ministry of Housing, Communities and Local Government (MHCLG) and the LGA that we are likely to see other councils reach this point in the two to three years if the government does not provide a more sustainable framework for local government finances.

Secondly, in the specific case of Northamptonshire, it is a council that has traditionally received tight resources and has generally been a low-cost authority. An adverse OFSTED report placed the corporate position under strain. At the same time the number of elderly people has risen, creating budget pressures.

Thirdly, the county's transformation programme, though innovative, has not yielded sufficient savings and the council depleted its reserves in an unwise manner without alternative compensatory savings of the order needed. However, we have seen other councils suffering the same general and specific strains manage their budgets more effectively. With Northamptonshire, it appears to have now deteriorated too far for the council to be able to manage its finances and government intervention is likely to be needed to set a path for the future.

CIPFA's statement can be found at the following link:

http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/sustainability-of-the-nhs-is-reliant-on-upfront-investment,-robust-governance-and-awareness-of-risk

In 2016 CIPFA issued a helpful briefing which looks at what it means to have a balanced budget, what factors have a negative impact on the finances, the impact of a spending freeze and what happens if a Section 114 notice is implemented. The briefing can be found at:

http://www.cipfa.org/policy-and-guidance/reports/balancing-local-authority-budgets-and-section-114-notices

Financial sustainability of local authorities in 2018

Level of impact: (For Information)

This report reviews developments in the sector and examines whether The Ministry of Housing, Communities & Local Government (the Department) along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities. NAO reported on the financial sustainability of local authorities in 2013 and 2014. This report updates and builds on that work and draws out the following main conclusions for the Department and Wider Government:.

The Department

The NAO concluded that the sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased:

- Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.
- The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.
- The Department's performance had improved since the NAO's last study. However, conditions in the sector have worsened and the Department must continue to strengthen its oversight and assurance mechanisms to protect against risks to value for money from financial failure in the sector. It must also set out at the earliest opportunity a long-term financial plan for the sector that includes sufficient funding to address specific service pressures and secure the sector's future financial sustainability.

Wider government

The NAO points out that the Department's capacity to secure the sector's financial sustainability in the context of limited resources is shaped by the priorities and agendas of other departments. The NAO concludes that the Department's improvements in understanding and oversight are necessary but not enough. Equally, because responsibility for services is dispersed across departments, each department has its own narrow view of performance within its own service responsibilities. There is no single central understanding of service delivery as a whole or of the interactions between service areas. The NAO points out that to date, the current spending review period has been characterised by one-off and short-term funding fixes. Where these fixes come with restrictions and conditions, this poses a risk of slowly centralising decision-making. This increasingly crisis-driven approach to managing local authority finances also risks value for money.

continued overleaf

Financial sustainability of local authorities in 2018 (cntd.)

Level of impact: (For Information)

NAO states that the current trajectory for local government is towards a narrow core offer increasingly centred on social care. This is the default outcome of sustained increases in demand for social care and of tightening resources. The implications for value for money to government from the resulting re-shaping of local government need to be considered alongside purely departmental interests. Departments need to build a consensus about the role and significance of local government as a whole in the context of the current funding climate, rather than engaging with authorities solely to deliver their individual service responsibilities.

A copy of the report and other related publications can be found on the NAO website at https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/

Round-up for Audit Committees

Level of impact: ● (For Information)

This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors. It is published each autumn and spring, covering NAO publications over the previous six months.

The March 2018 edition can be found at the following link:

https://www.nao.org.uk/report/round-up-for-audit-committees/

The publication includes useful articles on:

- Cyber Security
- Managing Conflicts of Interest
- Contract and Programme Management, including insights and examples from NAO work relating to: managing contracted-out service delivery; commercial capability; and managing markets.

CIPFA Bulletin 01 Closure of the 2017/18 Financial Statements

Level of impact: (For Information)

This bulletin covers the closure of accounts for the 2017/18 year and provides further guidance and clarification to complement the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2017/18 Code Guidance Notes.

The Bulletin covers:

- Changes to the 2017/18 accounts closure timetable
- Guidance relating to:
    - Accounting for the Apprenticeship Levy
    - Accounting standards that have been issued but have not yet been adopted
    - The item 8 debit/credit determination (housing authorities only)
    - 'Going Concern' basis of accounts
    - Other changes introduced by the 2017/18 Code

The Bulletin also provides a briefing on the anticipated changes to the 2018/19 Code and future years' Codes.

http://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-01-closure-201718

KPMG

Appendix

2017/18 audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2018	Presented
Interim			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	March 2018	Presented
Substantive procedures			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council’s value for money arrangements.	September 2018	To follow

Appendix 1

2017/18 audit deliverables (cont.)

Deliverable	Purpose	Timing	Status
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2018	To follow
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2018	To follow
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	November 2018	To follow

KPMG

Agenda Item No 6(A)

Bolsover District Council

Audit Committee

10 April 2018

INTERNAL AUDIT PLAN 2018/19

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present to Members for consideration and agreement the Internal Audit Plan for 2018/19.

1 Report Details

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

1.2 The internal audit plan is linked to BDC's corporate plan objective to provide customers with an excellent service. Audit reviews report on the operation of controls in place and recommend improvements.

1.3 A note explaining the role, purpose and some of the terminology used in the internal audit plan is attached at Appendix 1.

1.4 An annual report summarising the outcome of the 2017/18 internal audit plan will be presented to this Committee after the year-end.

1.5 A summary of the internal audit plan for 2018/19 is shown below and the detailed plan is shown as Appendix 2.

Internal Audit Plan 2018/19

Summary	Audit Days
Main Financial Systems	140
Other Operational Audits	211
Computer / IT Related	24
Fraud and Corruption	9
Corporate / Cross Cutting	42
NFI Key Contact	12
Special Investigations & Contingency	30
Audit Committee / Client Liaison	15
Grand Total	**483**

1.6 The plan has been prepared taking into account the following factors:-

- The organisational objectives and priorities;
- Local and national issues and risks;
- The requirement to produce an annual internal audit opinion;
- The organisations assurance framework;
- An update of the internal audit risk assessment exercise covering the financial control and other procedures subject to audit;
- The fraud risk register;
- The Council's strategic risk register and
- The views of the Assistant Director Finance and Revenues and Benefits and other managers.

1.7 Resource availability has been based on the Consortium Business Plan for 2018/19. The plan allocates 483 days to Bolsover District Council which is the same allocation as for 2017/18.

1.8 A copy of the audit plan is provided to the Council's external auditor to assist in co-ordination of work programmes.

2.0 Conclusions and Reasons for Recommendations

2.1 To ensure that a risk based audit plan is adopted and to determine the internal audit work programme for 2018/19.

2.2 To comply with the Public Sector Internal Audit Standards.

3 Consultation and Equality Impact

3.1 None.

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable.

5 Implications

5.1 Finance and Risk Implications

5.1.1 Financial – the internal audit budget for 2018/19 has been approved by the Joint Board and includes a contingency to cover any unforeseen circumstances etc.

5.1.2 Risk management issues – no formula exists that can be applied to determine internal audit coverage needs. However, as a guide the minimum level of coverage is that required to give an annual evidence-based opinion on internal controls. The level of coverage provided by the proposed 2018/19 internal audit plan will be sufficient upon which to base an opinion.

5.2 Legal Implications including Data Protection

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendation

6.1 That the Internal Audit Plan for 2018/19 be agreed.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1 2	Internal Audit Plan – Background Note Draft Internal Audit Plan 2018/19

Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)

Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

APPENDIX 1

INTERNAL AUDIT PLAN

BACKGROUND NOTE

1. **Definition of Internal Audit**

Internal Audit is defined in the Public Sector Internal Audit Standards as:

".. an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

2. **The Purpose of Internal Audit**

Internal audit is not a substitute for management. It is the purpose of internal audit to assist and support management by appraising the arrangements and procedures established.

There is also a statutory requirement for internal audit in local government contained in the Accounts and Audit Regulations 2015. These regulations require the authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards and guidance.

3. **The Difference between Internal Audit and External Audit**

External audit is completely independent of the authority. The Council's external Auditors are currently KPMG. Much of the external auditors' work is determined by statutory responsibilities. Internal audit's terms of reference are determined and approved by management.

However, there is nevertheless considerable scope for co-operation to avoid duplication of work and to make maximum use of audit resources.

4. **The Scope of Internal Audit Work**

One of the essential elements for effective internal auditing is that the internal auditor should adequately plan, control and record their work.

To determine priorities and to assist in the direction and control of audit work the internal auditor will prepare a plan based on a risk assessment.

The audit plan is divided into the following sections: -

- **Main Financial Systems**
  This covers the fundamental accounting and income collection systems of the authority such as payroll, creditor payments, council tax etc. Most of these systems are reviewed on an annual basis due to their importance.

- **Other Operational Audits**
  Audits to be undertaken in services include a review of the controls and procedures in place for areas such as commercial waste and expenses and allowances.

- **IT Related**
  Topics in this area of the plan include a review of disaster recovery arrangements. IT issues are also covered within most areas examined.

- **Fraud and Corruption**
  Audits specifically related to the prevention of fraud and corruption are covered in this area of the plan. This year a review of money laundering arrangements will take place. It should be noted that a significant number of other audits include an anti-fraud element e.g. income audits.

- **Cross Cutting Issues**
  This area of the plan includes audit subjects that cover all services or are corporate Issues. Examples include work on health and safety and recruitment and selection.

- **Special Investigations**
  A contingency provision is included in the plan to cover the investigation of irregularities or cases of suspected fraud and other problems.

5. <u>Delivering the Internal Audit Service</u>

A three year strategic audit plan is compiled based on an internal audit risk assessment of auditable areas. This risk assessment takes into account the following factors:

- Materiality – the amount of funds passing through the system
- Control Environment / vulnerability – assessed level of control based on previous audit findings
- Sensitivity – profile of the system in relation to customer service
- Management concerns – any specific issues relating to the operation of the system e.g. Council's Strategic Risk Register

Using a scoring system, audits are then categorised as High, Medium or Low risk. This ranking is then used to compile the annual audit plan.
The areas of audit work set out in the agreed plan are split into individual audit assignments.

An audit assignment can involve:

- preparation of system notes and a review/analysis of system controls;
- extraction of background information;
- extraction and testing of sample transactions and controls;
- notes of interviews and meetings.

All work undertaken is recorded on detailed working papers. To ensure that all areas have been covered and appropriate conclusions reached, all working papers are independently reviewed.

A report on the findings and recommendations arising from the audit is sent to the appropriate Director and to the Assistant Director Finance and Revenues and Benefits (as Client Officer) at the conclusion of the audit. A response to the recommendations is requested within a set time.

A summary of internal audit reports issued each quarter is reported to the Audit and Governance Committee and an Annual Report is submitted after the end of the year detailing the outcome of the audits completed.

Appendix 2

Bolsover District Council Internal Audit Plan 2016/17 – 2018/19

Main Financial Systems	2016/17	2017/18	2018/19	Priority	Last Review	Risk Factor
Main Accounting/Budgetary Control	17	15	**0**	M	Bi - Annual	Failure to produce a reliable set of accounts, no control over spending, (Strategic Risk 2)
Payroll	20	15	**20**	H	Annual	Employees are paid incorrectly, there are ghost employees in the system
Creditor Payments	15	20	**15**	H	Annual	Incorrect or fraudulent payments are made
Debtors	15	15	**10**	H	Annual	Loss of income, fraud
Treasury Management	10	10	**15**	H	Annual	Misappropriation of funds, poor investment decisions
Cash and Banking	20	18	**0**	M	Bi - Annual	Loss of income, theft
Council Tax	20	10	**10**	H	Annual	Loss of income, fraud
Non Domestic Rates	10	20	**10**	H	Annual	Loss of income, fraud
Housing / Council Tax Benefits	20	20	**20**	H	Annual	Reputational damage, fraud
Housing Rents	20	12	**12**	H	Annual	Loss of income, fraud
Housing Repairs	20	20	**20**	H	Annual	Reputational damage, health and safety risks
VAT	8	0	**8**	M	16/17	Incorrect treatment of VAT can lead to financial penalties
Total Main Financial Systems	**195**	**175**	**140**			

Other Operational Audits	2016/17	2017/18	2018/19	Priority	Last review	
Ambition Project/Funding	10	0	**0**	L	16/17	Mis- use of funds
Central Garage/Transport	11	10	**10**	H	17/18	Poor Fleet Management, fraud
Clowne Leisure Centre	0	25	**20**	H	17/18	Loss of income / theft
Commercial Waste	0	0	**10**	L	15/16	Loss of income
Current Contract Procedures	0	15	**0**	M	17/18	Poor contract management, fraud
Environmental Health Food Hygiene	0	8	**0**	L	17/18	Public Health risk
Environmental Health - Other Licences	0	0	**8**	L	13/14	Loss of income/ safeguarding issues
Environmental Health - Taxi Licences	0	8	**0**	M	17/18	Safeguarding issues, safety issues
E.H Misc income – Pest Control Dog Warden	0	0	**8**	L	13/14	Loss of income
Expenses and Allowances	0	0	**10**	L	15/16	Incorrect / fraudulent payments
Extreme Wheels	0	0	**8**	L	New	Safety risk, theft
Flytipping	0	0	**4**	L	New	Reputational Damage
FOI/Env info Regs	0	0	**8**	L	14/15	Non- compliance with FOI Act
Final Accounts	10	5	**6**	M	Annual	Incorrect payments, fraud
Gas Servicing	10	0	**12**	M	16/17	Safety risk, reputational issues
Homelessness	10	0	**0**	L	16/17	Reputation, public welfare
Housing Allocations and Lettings	0	15	**0**	M	17/18	Reputational risk, fraud
Housing Building Company	0	11	**12**	M	17/18	Financial and Reputational risks
Insurance	10	0	**10**	M	16/17	Wrong cover levels and type, fraudulent claims
Land Charges	0	8	**0**	L	17/18	Loss of income
Partnership Working	0	0	**15**	L	12/13	Mis – use of funds
Planning Fees	12	0	**10**	M	16/17	Loss of income/ fraud
Pleasley Mills/Property Rents	0	10	**0**	M	17/18	Loss of income, fraud
Pleasley Vale Outdoor Centre	0	0	**12**	L	15/16	Safety risks, income loss
Right to Buy Sales	10	0	**10**	M	16/17	Fraud

	Section 106	12	0	**13**	M	16/17	Loss of income/fraud/ reputational damage, failure to complete projects
	Street Cleaning	10	0	**0**	L	16/17	Reputational damage
	Stores	10	0	**15**	M	16/17	Theft, poor contract management
	The Tangent	0	0	**10**	M		Poor admin / loss of income
	Total Operational Audits	**115**	**115**	**211**			
	Computer and IT Related						
	BACS	8	0	**0**	L	16/17	False Payments/fraud
	Cyber Security / Network Security	0	0	**8**	M	14/15	Attack on Council systems (Strategic risk 6)
	Disaster Recovery	0	0	**8**	M	15/16	Failure to restore data in a timely manner
	IT Inventory / Disposal of equipment	0	0	**8**	L	15/16	Data breach, theft
	Social Media	4	0	**0**	L	16/17	Reputational damage
	System Security	0	15	**0**	M	17/18	Security breach (Strategic risk 6)
	Total Computer and IT related	**12**	**15**	**24**			
	Cross Cutting Areas						
	Asset Management Arrangements	0	10	**0**	M	17/18	Poor value for money, assets not fit for purpose
	Compliance Audit – Gas and Electric etc.	0	0	**8**	M	New	Safety of workforce and public
	Corporate Governance and AGS	10	10	**2**	H	Annual	Poor Governance (Strategic Risk 8)
	Data Protection	10	10	**0**	M	17/18	Mis- use of data, large fines (Strategic Risk 3)
	Emergency Planning	10	0	**0**	L	16/17	Public Safety (Strategic Risk 6)
	Financial Advice / Working Groups	10	20	**12**	H	Annual	Appropriate controls not in place
	Health and Safety	8	0	**10**	M	16/17	Risk of injury, death

	Performance Management	10	10	**0**	M	17/18	Poor Governance (Strategic Risk 8)
	Procurement/ credit cards	0	18	**0**	M	17/18	Fraud, poor value for money
	Recruitment and Selection	0	0	**10**	M	15/16	Fraud, poor appointments
	Risk Management	0	10	**0**	M	17/18	Failure to identify and mitigate risks (Strategic risk 8)
	Safeguarding	8	10	**0**	M	17/18	Public safety, reputational risk
	Sickness Absence	10	0	**0**	L	16/17	Unhealthy workforce, high absence levels (Strategic Risk 4)
	Total Cross Cutting Areas	**76**	**98**	**42**			
	Fraud and Corruption	**16/17**	**17/18**	**18/19**	**Priority**	**Last Review**	**Risk Factor**
	Fraud Modules	10	10	**0**	L	17/18	Fraud
	Money Laundering	0	0	**4**	L	14/15	Fraud
	Gifts and Hospitality			**5**	M	13/14	Fraud, bribery
	Total	**10**	**10**	**9**			
	Special Investigations/Contingency	40	40	**30**	H	Annual	Fraud, loss of income
	Alliance Accounts/NFI Key contact	20	15	**12**		Annual	Fraud
	Audit Committee / Client Officer Liaison	15	15	**15**	H	Annual	Non compliance with Public Sector Internal Audit Standards
	Planned Total Days	**483**	**483**	**483**			

Agenda Item No 6(B)

Bolsover District Council

Audit Committee

10th April 2018

Summary of Progress on the 2017/18 Internal Audit Plan

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present, for members' information, progress made by the Audit Consortium, in relation to the 2017/18 Internal Audit Plan. The report includes a summary of Internal Audit Reports issued from the beginning of January 2018 to the 16th March 2018.

1 Report Details

1.1 The 2017/18 Consortium Internal Audit Plan for Bolsover District Council was approved by the Audit Committee on the 11th April 2017.

1.2 The Consortium Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report quarterly (or at such intervals as the HIAC may agree with the Committee) to the Audit Committee of each Council on progress made in relation to their Annual Audit Plan.

1.3 Attached, as Appendix 1, is a summary of reports issued from the beginning of January 2018 to the 16th March 2018.

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

1.5 The Appendix shows for each report a summary of the level of assurance that can be given in respect of the audit area examined and the number of recommendations made / agreed where a full response has been received.

1.6 The assurance provided column in Appendix 1 gives an overall assessment of the assurance that can be given in terms of the controls in place and the system's ability to meet its objectives and manage risk in accordance with the following classifications:

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.

1.7 It can be confirmed that no fraud issues have been identified in respect of the areas reviewed.

1.8 The following audits are currently in progress:

- Data Protection
- Risk Management
- Creditors
- System Security

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plan for 2017/18 and the Audit Reports issued.

2.2 To comply with the requirements of the Public Sector Internal Audit Standards.

3 Consultation and Equality Impact

3.1 None

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

5.1.1 Regular reports on progress against the internal audit plan ensure compliance with the Public Sector Internal Audit Standards and allow members to monitor progress against the plan.

5.2 Legal Implications including Data Protection

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendation

6.1 That the report be noted.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
Appendix 1	Summary of Internal Audit Reports Issued from the beginning of January 2018 to the 16th March 2018.

Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)
N/A

Report Author	Contact Number
Jenny Williams	01246 217547

JENNY WILLIAMS

INTERNAL AUDIT CONSORTIUM MANAGER

BOLSOVER DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit Committee

Summary of Internal Audit Reports Issued from the beginning of January to the 16th March 2018

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B024	Sundry Debtors	To ensure that invoices are raised promptly and adequately and that there are debt collection procedures in place	Reasonable	24/01/18	14/02/18	2M	Note 1
B025	Taxi Licensing	To ensure that previous recommendations have been implemented including safeguarding issues.	Reasonable	24/01/18	14/2/18	5 (3M 2L)	4 and 1 in part
B026	Housing Repairs	To review the systems and procedures in place	Reasonable	6/02/18	27/2/18	4 (2M 2L)	Note 1
B027	Safeguarding	To ensure that the council has appropriate policies, procedures and training in place	Reasonable	27/02/18	20/3/18	4M	4

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B028	Grounds Maintenance	To review the policies and procedures in place	Substantial	13/3/18	5/4/18	1L	1

Notes: For recommendations, H = High priority, M = Medium priority and L = Low Priority.

Note 1 Response not received at time of writing Report

Agenda Item No. 7(A)

Bolsover District Council

Audit Committee

10 April 2018

Accounting Policies 2017/18

Report of the Head of Finance & Resources

This report is public

Purpose of Report

- To request approval by the Audit Committee of the accounting policies that it is proposed to adopt for the current financial year in the preparation of the Statement of Accounts 2017/18.

1 Report Details

1.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies themselves are published within the Statement of Accounts in accordance with the Code of Practice on Local Government Accounting and incorporate the requirements of International Financial Reporting Standards (IFRS).

1.2 The approval of the accounting policies to be applied by the Council demonstrates that due consideration is being given to which policies to adopt and apply and that those charged with corporate governance are fully informed prior to the commencement of the Statement of Accounts preparation of the policies that are being adopted.

1.3 This report therefore presents the accounting policies that the Council will apply in the preparation of the Statement of Accounts 2017/18.

Accounting Policies

1.4 Officers have assessed the accounting policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2017/18. In undertaking this assessment a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of the code of practice and IFRS requirements. With regard to the policies proposed in respect of 2017/18 there are unchanged from previous years but as the Statement of Accounts for 2017/18 are prepared it may be 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 will be reported back to the Audit Committee at its next available meeting. Full details of all the proposed accounting policies for the current financial year are provided at **Appendix 1**.

1.5 As the Statement of Accounts for 2017/18 are prepared it may be 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 will be reported back to the Audit Committee at its next available meeting.

2 Conclusions and Reasons for Recommendation

2.1 This report sets out the Accounting Policies which it is proposed to adopt in respect of the 2017/18 Statement of Accounts for consideration by the Audit and Corporate Governance Scrutiny Committee. Given that the policies adopted have a significant influence upon the Accounting Statements it is important that these are given appropriate consideration at the outset of the preparation of the Statement of Accounts. This helps ensure that they are applied consistently in the preparation of the Accounts. The Policies which are recommended for adoption are in line with those that were used in the previous financial year (2016/17).

3 Consultation and Equality Impact

3.1 This report to Audit Committee is essentially the consultation process concerning the proposed Accounting Policies for this financial year (2017/18). It is largely a technical document but it is important that those charged with governance have the opportunity to review and shape the document.

3.2 There are no equalities issues arising directly from this report.

4 Alternative Options and Reasons for Rejection

4.1 The Council is required to have appropriate Accounting Policies within its Statement of Accounts. Officers have developed what they consider to be an appropriate set of policies based upon those adopted in previous financial years and taking account of changes as required by current legislation. The preparation and consideration of this reports is part of a process intended to ensure that alternative options are given appropriate consideration.

5 Implications

5.1 Financial and Risk Implications

- There are no direct financial implications arising from this report. The accounting policies will however be used to determine the accounting treatment of the financial transactions of the Council for 2017/18 and will therefore influence the presentation and understanding of the financial position of the Council as at 31 March 2018.

- None of the policies outlined in **Appendix 1** are considered to be in conflict with legislative or IFRS requirements therefore the risk of adopting a policy that contravenes good practice is considered minimal. The greater risk is the failure to ensure that the policy and the actual accounting treatment are consistent. To minimise this risk the final accounts timetable for 2017/18 has officer review time built in to cross check the policies to the actual treatment of items within the accounts.

5.2 Legal Implications including Data Protection

- The agreement of appropriate Accounting Policies is part of the process of ensuring that the Council satisfies its legal obligation to prepare a Statement of Accounts. The accounting policies adopted by the Council must comply with current legislation, the Code of Practice on Local Government Accounting and IFRS requirements. Officers have given careful consideration to the policies detailed at **Appendix 1** to ensure that they meet all these requirements.
- There are no data protection issues arising directly from this report.

6 Recommendation(s)

6.1 That the Audit Committee approves the Accounting Policies detailed at Appendix 1 to this report.

6.2 Members are requested to note that any proposed amendments or changes to these policies will be reported back to this Committee, together with an explanation for the reasons a change is considered to be appropriate and detailing any financial implications of the amendments.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* *Capital - £250,000* ** Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	Robust financial Governance arrangements underpin the effective operation of the Council and its ability to secure the full range of Corporate Plan Priorities.

8 Document Information

<table>
<tr><th>Appendix No</th><th>Title</th></tr>
<tr><td>1</td><td>Accounting Policies</td></tr>
<tr><td colspan="2">Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>Report Author</td><td>Contact Number</td></tr>
<tr><td>Dawn Clarke – Head of Finance & Resources</td><td>01246 217658</td></tr>
</table>

1 Accounting Policies

Notes to the Core Financial Statements

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31st March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices primarily consist of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council does not have any transactions that are reclassifiable to the Surplus or Deficit on the Provision of Services. As such we have not grouped the items in Other Comprehensive Income and Expenditure into amounts that may be reclassifiable and amounts that are not.

b) Accounting Concepts

The concepts used in selecting and applying the most appropriate policies and estimation techniques are as follows:

- The qualitative characteristics of financial information - relevance, reliability, comparability and understanding;

- Materiality (all major transactions and events are included);

- The accounting concepts of accruals, going concern and the primacy of legislative requirements.

c) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for in the year to which it relates and is based on an effective interest rate for the relevant financial instrument rather than the cash flow fixed or determined by the contract;

- Where income or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

An exception to this principle relates to electricity and other similar periodic payments which are charged at the date of meter reading rather than being apportioned between financial years. Rental income from HRA dwellings is included without an adjustment for the over lap between financial years on the grounds of materiality. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

Income and expenditure are credited and debited to the relevant service revenue account unless they properly represent capital receipts or capital expenditure.

Grant claims are submitted on an actual basis wherever possible. However if the information required is not available then a best estimate basis is adopted.

d) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The Council has a number of Call accounts to meet short-term cash flow requirements where no notice is required to access funds.

Call accounts held to make a gain from favourable rates of interest are classed as investments and not cash equivalents. This also applies to Money Market Funds and fixed term investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

e) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.

- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation costs are therefore replaced by the contribution in the General Fund of a Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council's policy for the calculation of the statutory provision for the repayment of debt is determined each year by the Council. The Council has decided that for 2017/18 the outstanding general fund debt prior to 1 April 2007 will be repaid at a rate of 4% of outstanding debt per year until the debt is extinguished. Any prudential borrowing for the General Fund incurred after 1 April 2007 is repaid based on the life of the asset concerned.

f) Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside. The Collection Fund includes transactions in respect of both Council Tax and Non-domestic Rates.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out from the Collection Fund to the major preceptors. The amount credited to the General Fund under statute is a Council's precept or demand for the year, plus or minus the Council's share of the surplus/deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to council tax shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to all the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non-Domestic Rates (NDR)

The NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors and the Government. The amount credited to the General Fund under statute is the Council's estimated share of NDR for the year on the basis of the National Non Domestic Rates (NNDR) 1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year from the NNDR 3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to non-domestic rates shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from NDR payers belongs proportionately to all the major preceptors and the Government. The difference between the amounts collected on behalf of the other major preceptors, Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Non-Domestic Rates Appeal

The Council will commission each year, an independent assessment at 31 March of the outstanding appeals lodged with the Valuation Office Agency (VOA). The assessment will review every individual appeal and estimate the likelihood of the appeal succeeding based on the category of appeal and previous appeal determinations.

g) Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the accounting statements; they are disclosed by way of a note to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

h) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the accounting statements; they are disclosed in a note to the accounts.

i) Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end but which can be carried forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, as this is the period in which the employee takes the benefit. The accrual is charged to the relevant service area of the Comprehensive Income and Expenditure Statement but then is reversed out through the Movement in Reserves Statement so that the annual leave is charged to revenue in the financial year in which the annual leave occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with accrued debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (LGPS), which is administered by Derbyshire County Council on behalf of Bolsover District Council. The scheme provides defined benefits to members (lump sums and pensions) earned as employees working for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Derbyshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of 'spot yields' on AA rated corporate bonds.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:

  - Current Service Cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

  - Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. These costs are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

▪ Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. The cost is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Remeasurements comprising:

▪ The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

▪ Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions Paid to the County Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve therefore measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

j) Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial impact.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

k) Exceptional Items

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item is given within the notes to the accounts.

l) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting the opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the period.

m) Financial Instruments

The Council is required to recognise, measure, present and disclose information about any financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Typical financial assets include bank deposits, trade receivables and other receivables, loans receivable and advances. Typical financial liabilities include trade payables and other payables, borrowings and financial guarantees. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When loans are made at less than market rates (a soft loan), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year.

Where Financial Assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the financial asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the financial assets original effective interest rate.

Any gains and losses that arise on the de-recognition of a financial asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices - the market price

- other instruments with fixed and determinable payments - discounted cash flow analysis

- equity shares with no quoted market prices - multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 inputs - unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on revaluation of available-for-sale financial assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and present value of the revised future cash flows discounted at the asset's orginal effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measure reliably, the instrument is carried at cost (less any impairment losses).

n) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and

- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

o) Heritage Assets

Heritage assets are a distinct class of asset which are reported separately from property, plant and equipment and intangible assets.

There is a de-minimis level of £10,000 applied to Heritage Assets in line with the accounting policy on Property, Plant and Equipment. The Heritage Assets held by the Council are currently below the de-minimis level.

p) Intangible Fixed Assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (for example computer software) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are initially measured at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice no intangible asset, held by the Council meets this criterion and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Each intangible asset is tested for impairment each year to see if there is an indication that the asset may be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising from the disposal of an intangible fixed asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds in excess of £10,000, the Capital Receipts Reserve.

q) Interests in Companies and Other Entities

The Council has no material interests in any companies or other entities that have the nature of subsidiaries, associates or jointly controlled entities that would require it to prepare group accounts.

However, the Council has a joint venture in Dragonfly Developments Limited. This is being accounted for as an available-for-sale financial asset. Group accounts are not being prepared based on materiality.

r) Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the share of expenditure it incurs and the share of income it earns from the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefit for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council has the following jointly controlled operations:

Building Control - with North East Derbyshire District Council and Chesterfield Borough Council

Internal Audit Services - with North East Derbyshire District Council and Chesterfield Borough Council

Procurement Services - with North East Derbyshire District Council, Chesterfield Borough Council, Derbyshire Dales District Council and Chesterfield Royal Hospital

ICT Services - with North East Derbyshire District Council and Derbyshire Dales District Council

Environmental Health Services - with North East Derbyshire District Council as part of the Strategic Alliance

The Council has jointly controlled assets with Chesterfield Borough Council and North East Derbyshire District Council regarding the operation of a crematorium. The Council holds a share of the joint crematorium committee. The Council's share of the crematorium's assets and income and expenditure for 2017/18 is 15%, (2016/17 15%). On the basis of materiality, Bolsover District Council does not include any figures for the joint crematorium within the Statement of Accounts.

s) Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

t) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value - highest and best use, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Investment properties are not depreciated but are revalued according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment line and result in a gain to the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for sale proceeds in excess of £10,000, to the Capital Receipts Reserve.

u) Leases

The Council accounts for leases as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee (The Council). All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment and applied to write down the lease liability;

- a finance charge (debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

The Council also has operating leases where the risk and rewards relating to the leased property remains with the lessor. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property the relevant asset is written out of the Balance Sheet as a disposal. It is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property, applied to write down the lease debtor (together with any premiums received); and
- Finance income, credited to the Financing and Investment Income and Expenditure line in the Comprehensive income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt.

The Council currently has no finance leases for property where this policy applies.

Operating Leases

Where the Council grants an operating lease over an asset the asset is retained on the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments e.g. there is a premium paid at the start of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the asset and charged as an expense over the lease term.

v) Overheads and Support Services

The costs of overheads and support services are charged to directorates in the Comprehensive Income and Expenditure Statement in accordance with the Council's arrangements for accountability and financial performance.

w) Property, Plant and Equipment

Property, Plant and Equipment are non-current assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes and are expected to be used during more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides is for more than one financial year and the cost of the item can be reliably measured. Expenditure that maintains but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. A general de-minimis limit of £10,000 is applied to non-current assets.

Measurement

Assets are initially measured at cost, comprising purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be it's current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). If an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset exchanged by the Council.

Donated assets are measured at current value. The difference between current value and the consideration paid is credited to the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donated asset has been made conditionally. Until all conditions are met the gain is held in the Donated Assets Account. Gains that are credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – historic cost;
- Dwellings – current value, determined using the basis of existing use value for social housing;
- Surplus assets – fair value, estimated at highest and best use from a market participant's perspective;
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market based evidence of current value of an asset because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non property assets that have short useful lives or low values, or both, depreciated historical cost is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Valuations are undertaken by a professionally qualified valuer.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the value of the accumulated gains
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. If there is an indication of impairment, and it is deemed material, the recoverable amount of the asset is estimated to determine the impairment loss.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the value of the accumulated gains

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception exists for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following bases:

- Land: Not depreciated;
- Buildings: Straight-line allocation over the life of the property;
- Vehicles, plant and equipment: Straight line allocation over the life of the asset;
- Infrastructure: Straight-line allocation over life of asset;
- Council dwellings: Straight-line allocation over the life of the property;
- Community assets (subject to exceptions): Not depreciated.

Items of property, plant and equipment are not depreciated until they become available for use (i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable, based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item of Property, Plant and Equipment has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately. The Council deems “significant” to be 25% or more of the total cost of the asset. The Council also applies the following de minimis levels with regard to component accounting.

Components are not separately identified where:

- The useful life of the asset is less than 10 years

- The depreciation charge based on the life of the component would differ from that for the total asset by less than £10,000.

- The component life must be materially different to the main asset to be treated as a component.

For grouped assets such as Council Dwellings a practical level of componentisation has been applied which links to the work programmes carried out within the capital programme. An appropriate component life has been assigned to each of these components.

Disposals

When it becomes probable that an asset is to be sold it is reclassified as an Asset Held for Sale. The asset is revalued before reclassification at it's existing use value and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell , the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

To be classified as held for sale an asset must meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;

- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;

- The asset must be actively marketed for sale at a price that is reasonable in relation to its current value;

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If assets no longer meet the criteria to be classed as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as assets held for sale. They are adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale.

Assets that are abandoned or scrapped are not classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset on the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement, as part of the gain or loss on the sale of assets. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals, in excess of £10,000 are treated as capital receipts. A proportion of Housing receipts is payable to central government. The balance of receipts is credited to the Capital Receipts Reserve and can only be used for future capital investment or to reduce the Council's underlying need to borrow.

The gain or loss on the sale of assets is not a charge against Council Tax. Amounts are appropriated to the Capital Adjustment Account in the Movement in Reserves Statement.

x) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate available at the balance sheet date, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of the financial year - where it becomes less than probable that a transfer of economic benefit will now be required (or lower settlement anticipated) the provision is reversed and credited back to the relevant service revenue account.

y) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the relevant service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Council.

z) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amount charged so there is no impact on the level of Council Tax.

aa) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. Where the Council is unable to recover VAT it is charged to the appropriate service.

ab) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effected. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ac) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3 - unobservable inputs for the asset or liability.

ad) Segmental Analysis

The Council operates with three directorates. All services of the Council fall into one of these directorates. The main service areas within each directorate are as follows:

Growth - Chief Executive; Partnership team; Economic Development; Housing Strategy; Planning; Environmental Health; Legal; Governance and Elections and Scrutiny.

Operations - Procurement (client); Finance; Revenues and Benefits; Audit (client); Streetscene; Community Safety; Housing Revenue Account; Property and Estates.

Transformation - ICT (client); Customer Services; Improvement Team; Emergency Planning; Leisure; Human Resources; Health and Safety; Payroll.

Agenda Item No 7(B)

Bolsover District Council

Audit Committee

10 April 2018

KEY ISSUES OF FINANCIAL GOVERNANCE

Report of the Head of Finance & Resources

This report is public

Purpose of the Report

- The purpose of the Key Issues of Financial Governance report is to track progress concerning the implementation of previous recommendations from both External and Internal Audit and to inform the Audit Committee of progress in addressing those recommendations. It constitutes a standing item on all agendas of the Audit Committee.

1 Report Details

1.1 This report seeks to update Members of the Audit Committee concerning the main issues of financial governance where further progress or ongoing monitoring is required. In particular the report outlines issues raised by both External and Internal Audit in order to monitor progress in resolving these issues and to evaluate the overall position of the Council's financial governance arrangements. This report reflects both the ISA 260 report from KPMG and the work undertaken by Internal Audit. The outcome of those reports together with planned management action to address the issues identified is reflected within this report. The Key Issues of Financial Governance are set out in Appendix 1 which in the view of the Chief Financial Officer constitute the main strategic financial issues currently facing the Council.

1.2 The Strategic Issues which are outlined below are consistent with the conclusions of the External Auditors (KPMG) report on the outcome of the 2016/17 Audit. The key messages from that report concern firstly the quality of the Statement of Accounts where the external auditors issued both an unqualified opinion on the Statement of Accounts by the 31st July, while concluding that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The overall conclusion is a very satisfactory outcome for the Council and the detail of the report does not identify any areas where improvement is required.

1.3. With respect to the Council's accounting arrangements the ISA260 report of the External Auditor is a very positive one. Against the background of the assessment of the 2016/17 Statement of Accounts, the main objective appears to be that of maintaining current standards. Given the reputational impact of a critical External Audit report and the additional costs that may be incurred for arrangements which do not meet the auditors requirements it is clearly important that the Council maintains its current high standards in this area. In addition the production of a high quality Statement of Accounts is usually a reliable indicator that the wider financial arrangements within an authority are operating effectively. On that basis it would seem appropriate that the Audit Committee continue to monitor the quality of the process for producing the Annual Accounts on a regular basis.

1.4 With regard to the value for money conclusion and the associated risk areas whilst current arrangements are operating well and are fit for purpose, they will need to continue to evolve in the light of changing circumstances if the Council is to continue to secure a positive assessment. The main issue identified relates to the financial resilience in the local and national economy and the Council's ability to deliver the required savings in order to achieve a balanced budget.

1.5. With regard to the work of Internal Audit, the position in respect of the last financial year 2016/17 was reported to the meeting of this Committee on 16th May 2017. The Council received a total of 1 unsatisfactory and 4 marginal report during 2016/17 of which copies have previously been distributed to this Committee and a further update is included in Appendix 1. An update on the Progress on the 2017/18 Internal Audit Plan is included elsewhere on this agenda.

1.6. The Strategic Issues of Financial Governance that have been previously identified are summarised in Appendix 1 which provides an outline of the issues together with an update of the current position. Given that these are Strategic Issues the responsibility for addressing them rests with the Chief Financial Officer together with the wider management team. Resolution of the issues is also dependent upon the active support of Elected Members. The role adopted by the Audit Committee has been one of monitoring and evaluating progress and where appropriate requiring and supporting further action from officers. While the Council's financial governance arrangements have improved over recent years and are now robust it continues to be important that the Audit Committee adopts a pro active role in order to ensure current standards are maintained.

2 Conclusions and Reasons for Recommendation

Conclusions

2.1 The report is intended to provide information to allow the Audit Committee to consider the progress that has been secured in maintaining and improving the Council's financial governance arrangements. While the evidence provided within the report indicates that the Council's financial governance arrangements are robust and on balance are continuing to improve it is important that this progress is maintained and outstanding issues are resolved.

Reasons for Recommendations

2.2 To support the Audit Committee in undertaking its function of providing an ongoing independent review of the Council's financial governance arrangements.

3 Consultation and Equality Impact

Consultation.

3.1 There are no issues arising from this report which necessitate a detailed consultation process.

Equalities.

3.2 This report does not have any direct implications for Equalities issues.

4 Alternative Options and Reasons for Rejection

4.1. Given that the Council has a clear commitment to maintaining the quality of and where possible improving its financial governance arrangements it is appropriate that a formal reporting mechanism is in place to the Audit Committee. This approach is in line with good professional practice and accordingly other options have not been actively considered. While there are other options as to the format of this report the current format has been used for a period in excess of three years and has been amended to reflect the views of the Audit Committee. Over this period there has been a systematic improvement in the Council's Financial Governance arrangements which indicate that the approach adopted has assisted in securing the required outcomes.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no additional financial implications for the Council arising from this report.

Risk

This report is intended to assist in ensuring that the Council has robust financial governance arrangements in place. As such it is a key mitigation against any failure or weakening in these arrangements which would have a significant impact upon the Council's financial performance, its reputation and its service delivery arrangements.

5.2 Legal Implications including Data Protection

There are no Legal or Data Protection issues arising directly from this report.

5.3 Human Resources Implications

There are no Human Resources issues arising directly out of this report.

6 Recommendations

6.1. That the report is noted, and the Audit Committee raise any issues of concern with the updated Action Plan and the reported progress to date.

7 Decision Information

<table>
<tr><td colspan="2">Is the decision a Key Decision?

A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</td><td rowspan="4">No</td></tr>
<tr><td>BDC:</td><td>Revenue - £75,000 ☐
Capital - £150,000 ☐</td></tr>
<tr><td>NEDDC:</td><td>Revenue - £100,000
Capital - £250,000</td></tr>
<tr><td colspan="2">* Please indicate which threshold applies</td></tr>
<tr><td colspan="2">Is the decision subject to Call-In?
(Only Key Decisions are subject to Call-In)</td><td>No</td></tr>
<tr><td colspan="2">District Wards Affected</td><td>All</td></tr>
<tr><td colspan="2">Links to Corporate Plan priorities or Policy Framework</td><td>Robust financial Governance arrangements underpin the effective operation of the Council and its ability to secure the full range of Corporate Plan Priorities.</td></tr>
</table>

8 Document Information

<table>
<tr><td>Appendix No</td><td colspan="2">Title</td></tr>
<tr><td>1</td><td colspan="2">Key Issues of Financial Governance Update</td></tr>
<tr><td colspan="3">Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</td></tr>
<tr><td colspan="3">“Report to those Charged with Governance 2016/17 ISA 260”
Internal Audit Reports</td></tr>
<tr><td colspan="2">Report Author</td><td>Contact Number</td></tr>
<tr><td colspan="2">Dawn Clarke - Head of Finance & Resources</td><td>01246 217658</td></tr>
</table>

KEY ISSUES OF FINANCIAL GOVERNANCE: UPDATE APPENDIX 1

Issue Raised	Progress to date including target dates.
1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.	The Council has a good record in respect of achieving targeted levels of savings over the past few years. On the basis of the MTFP approved in February the shortfall of £0.171m in respect of the current financial year 2017/18 should be achievable, there still remains a further shortfall of £1.7m over the final three years of the MTFP which needs to be addressed at the earliest opportunity. Against this background, it is important that the Council continues to progress its growth and transformation strategies to secure financial sustainability and enable it to address the identified shortfall. In terms of 2017/18, at its previous meeting, this Committee was informed of the revised budget position for the current financial year, where the Council is anticipating to make a contribution to reserves of £780k. With the exception to the continued increase in planning fees, the previous projection for 2017/18 remains the same. We are now working on closing the accounts for 2017/18 in line with the new statutory deadline and will inform the committee of the outturn position at its next meeting. The Council is currently working to update its efficiency and transformation plans which will contribute to addressing the financial shortfall for future years. In addition to the position in respect of the General Fund as outlined above, the Council in common with all social landlords have been required to implement a 1% p.a. rent reduction for the four years from April 2016. This policy together with changes in right to buy and the welfare system has a significant detrimental impact on the Council's HRA and the Council will need to continue to actively manage the position to ensure that the 30 year business plan remains robust. Progress in both these areas will continue to be reported as part of the Council's quarterly budget monitoring process.
2. To improve the Council's Internal Control arrangements.	This Key Issues of Financial Governance report, together with reports from Internal and External Audit should enable the Audit Committee to monitor the progress that is being made in respect of maintaining the quality of and securing improvements in our internal control arrangements. Internal Audit has undertaken a more prominent role in the Council's Performance Management arrangements since April 2013. Comprehensive training programme have been delivered to all cost centre managers during June 2017. It is anticipated to undertake Procurement Training to all Managers in the coming months. Progress reports from the Head of Internal Audit to this Committee will continue to highlight areas of concern with respect of internal control. Details of audits undertaken during this financial year are included elsewhere on this agenda.

3. A report in respect of Transport Administration was assessed as unsatisfactory. The main issues concerned system weaknesses which have surrounded the introduction of a new system.	Officers are now in the process of addressing the Internal Audit recommendations and are of the view that appropriate changes are being implemented to minimise risk. Weaknesses in internal control have facilitated a minor misappropriation of funds of limited value which has been reported by the Council to the Police. Officers have proactively undertaken works to resolve matters identified in the Action Plan resulting in 17 of 19 = 89% of actions now having been resolved. The follow-up audit was to be undertaken in two parts. Part one was completed during the Autumn of 2017 and the second part is currently underway and will be reported at the next meeting of this committee.
4. Reports in respect of the administration of both Licensing and Health and Safety concluded that arrangements were marginal. Both the services concerned are joint arrangements operating across Bolsover and North East Derbyshire District Council.	In both areas a comprehensive management review has been undertaken leading to the development of an Action Plan which is currently in the process of being implemented. Although it is a concern that Health and Safety - which was identified as a weakness in 2015/16 – remains marginal, significant improvement has been evidenced, although further work remains necessary. The Action Plans incorporate external support in order to secure improvement in a timely fashion. With respect to Licensing a reinstallation the current software to facilitate improved access to management information is taking place. In terms of the Health & Safety audit, progress on these recommendations is being monitored through the quarterly performance meeting. An update regarding the progress will be given by the Internal Audit Manager.
5. Marginal Internal Audit reports for Social Media and S106 Agreements.	In both areas management is in the process of implementing the Internal Audit recommendations. The implementation of the actions required are being monitored through the Council's Performance Management framework.
6. 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 has continued to improve the quality of its financial accounts with the External Audit Report for 2016/17 concluding that our arrangements are robust. That standard needs 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 is generally a sign of wider robust financial management. Accordingly the position will continue to be monitored as part of the Key Issues of Financial Governance report.