

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, 26 November 2019 at 14:00 hours.

PRESENT:-

Members:-

Councillor Tom Munro in the Chair

Councillors R. Jaffray (Vice-Chair), Jim Clifton, David Dixon and Chris Kane.

Officers:- Theresa Fletcher (Head of Finance and Resources & Section 151 Officer), Jenny Williams (Internal Audit Consortium Manager) and Alison Bluff (Governance Officer).

Also in attendance at the meeting was Mike Norman (Senior Manager, MAZARS).

458 APOLOGIES FOR ABSENCE

Apologies for absence were received on behalf of Councillor Tom Kirkham and Lee Hickin (Strategic Director – People).

459 URGENT ITEMS OF BUSINESS

There was no urgent business to be considered at the meeting.

460 DECLARATIONS OF INTEREST

There were no declarations made at the meeting.

461 MINUTES

Moved by Councillor Jim Clifton and seconded by Councillor Chris Kane

RESOLVED that the Minutes of an Audit Committee held on 29th July 2019 be approved as a true and correct record.

462 REPORT OF EXTERNAL AUDITOR - ANNUAL AUDIT LETTER 2018/19

Committee considered a report in relation to the Annual Audit Letter 2018/2019 prepared by MAZARS, the Council's External Auditors.

The Annual Audit Letter summarised the audit work undertaken by MAZARS for the year ended 31st March 2019.

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The Auditor's report issued on 31st July 2019, included their opinion that the Council's financial statements gave a true and fair view of the Council's financial position as at 31st March 2019 and of its expenditure and income and that the statements had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. Further that the Statement of Accounts was consistent with the audited financial statements.

In their Value for Money conclusion, the Auditors were satisfied that in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019.

Mike Norman advised the meeting that there were no additional items to bring to the Committee's attention.

Members noted their concern regarding the £1m budget shortfall in relation to the Council's finances in 2020/2021.

Moved by Councillor Tom Munro and seconded by Councillor Chris Kane

RESOLVED that the report from the Council's External Auditor, Mazars, in relation to the Annual Audit Letter 2018/19, be noted.

463 **AUDIT COMMITTEE PROGRESS REPORT**

Committee considered a progress update report prepared by MAZARS in relation to their 2019/2020 audit and other non-audit work.

This was MAZARS first progress report in respect of the 2019/2020 audit of the Council's accounts and MAZARS Value for Money Conclusion.

On completion of the planning and risk assessment work with senior managers of the Council, MAZARS would present their Audit Strategy Memorandum to Committee for consideration. However, MAZARS risk assessment process would continue throughout the year. Based on their planning work to date, MAZARS did not expect the profile of the accounts audit risks to be significantly different to that reported in their previous year's Audit Strategy Memorandum, with the audit risks and areas of management judgement likely to again include:

- Management override of controls
- Valuation of land and buildings
- Valuation of pension liabilities

MAZARS expected their Value for Money risk assessment to again be focused on the Council's arrangements for sustainable resource deployment and its medium term budget pressures.

In relation to non audit work, MAZARS had been engaged to carry out the Reporting Accountant's report work on the Council's 2018/19 Pooling of Housing Capital Receipts Return. The reporting deadline was 7th February 2020. Work was in progress and there were no matters arising that needed to be reported to Committee at the current stage.

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Also included in the update report was MAZARS summary of recent relevant technical and sector publications. Mike Norman provided a brief overview to Committee on a new financial management code launched by CIPFA in October 2019, a consultation by the National Audit Office for a new code of audit practice from 2020, an independent review of local authority financial reporting and external audit, and a local audit quality forum which took place in June 2019. The Chair brought Member's attention to two documents which were included in the report and which the Chair had found useful – these were, A Councillors guide to Digital Connectivity (October 2019) and A Councillors guide to Procurement (October 2019). The Chair recommended that all Councillors should be provided with the link to these documents.

Moved by Councillor Tom Munro and seconded by Councillor David Dixon

RESOLVED that (1) the Audit Committee Progress Report 2018/2019 from the Council's External Auditor, Mazars, be noted,

(2) the link to the Councillor guide documents relating to Digital Connectivity (October 2019) and Procurement (October 2019) be made available to all BDC Councillors.

(Internal Audit Consortium Manager)

464 IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

Committee considered a report which provided a summary of internal audit recommendations made and progress on implementation for the financial years 2016/17 to 2019/20. An appendix to the report detailed the outstanding internal audit recommendations as at 8th November 2019.

The timely implementation of internal audit recommendations helped to ensure that the risk of fraud and error was reduced and that internal controls were operating effectively. Action could be taken if Audit Committee felt that progress was unsatisfactory.

The implementation of internal audit recommendations was also monitored at the quarterly Directorate meetings and monthly by the Strategic Alliance Management Team (SAMT).

In relation to Risk Management, which had recommendations overdue, the Head of Internal Audit advised Committee that the Strategic Director – People, was currently undertaking a large piece of work where all monitoring, reporting, reviewing and updating would be looked at. Outstanding old recommendations may no longer be relevant but would be considered in the review. In relation to the recommendation regarding Money Laundering, Committee was also advised that the Section 151 Officer was currently writing a new Policy and this would be presented to a future meeting of Committee.

In response to a Member's query, the Internal Audit Consortium Manager advised Committee that the recommendation regarding Gifts and Hospitality had since been implemented.

Moved by Councillor Chris Kane and seconded by Councillor David Dixon

RESOLVED that the report be noted.

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465 THE ROLE OF THE HEAD OF INTERNAL AUDIT

Committee considered a report which advised Members of an updated publication by The Chartered Institute of Public Finance and Accountancy (CIPFA).

This publication was CIPFA's Statement on the role of the head of internal audit in Public Service Organisations (2019 edition) and replaced the previous 2010 edition.

CIPFA considered it essential that public service organisations properly supported their internal auditors to enable them to meet the standards. For these reasons, CIPFA felt it was an opportune time to refresh and update the 2010 statement on the role of the head of internal audit.

The statement set out the 5 principles that defined the core activities and behaviours that belonged to the role of the head of audit in public service organisations and the organisational arrangements needed to support them.

The core principles were detailed in the report along with a summary of the Council's situation.

In response to a Member's question, the Internal Audit Consortium Manager noted that the 5 principles remained the same from the previous version of the publication, only the terminology had been updated.

A Member noted that he had found the 'Bolsover situation' in the report helpful.

Moved by Councillor David Dixon and seconded by Councillor Chris Kane

RESOLVED that arrangements and processes set out in the report as meeting the requirements of the CIPFA statement on the Role of the Head of Internal Audit be endorsed.

466 REPORT OF INTERNAL AUDIT - SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN

Committee considered a report which provided information on progress made by the Audit Consortium in respect of the 2019/20 Internal Audit Plan.

An appendix attached to the report provided a summary of reports issued between 29th June 2019 and 8th November 2019. Nine reports had been issued, 6 with substantial assurance and 3 with reasonable assurance.

Reports were issued as drafts, with 5 working days being allowed for the submission of any factual changes, after which time the report was designated as a final report. Fifteen working days were allowed for the return of the Implementation Plan.

Moved by Councillor Tom Munro and seconded by Councillor Chris Kane

RESOLVED that the report be noted.

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467 STRATEGIC RISK REGISTER AND PARTNERSHIP ARRANGEMENTS

Committee considered a report which provided an update of the current position regarding Risk Management and Partnership Arrangements and the Strategic Risk Register as at 30th September 2019.

The Council's Strategic Risk Register was intended to highlight the major areas where the Council needed to manage its risks effectively. One of the key purposes of the report was to set out the risks that had been identified in the Strategic Risk Register and to encourage both Members and officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers actively covered all of the issues facing the Council. The revised Strategic Risk Register, as at 30th September 2019, was set out in an appendix to the report for consideration by Committee

It was proposed that a comprehensive review of the Council's risk management framework be undertaken to ensure that the continued effective and systematic management of risk was achieved. The section in the report relating to Partnership Arrangements served to highlight the extent of these working arrangements together with the approach that had been adopted for their effective management.

Moved by Councillor Tom Munro and seconded by Councillor Chris Kane

RESOLVED that the report and the Strategic Risk Register as at 30th September 2019 be noted.

468 AUDIT COMMITTEE - SELF ASSESSMENT FOR EFFECTIVENESS

Committee considered a report which informed Members of CIPFA's publication 'Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition' and to enable the Audit Committee to undertake a self-assessment.

Incorporated in the publication at chapter 2 was CIPFA's Position Statement: *Audit Committees in Local Authorities and Police (2018)*, which set out CIPFA's view of the role and functions of an audit committee and replaced the previous 2013 Position Statement.

Appendix D of CIPFA's publication included a self-assessment of good practice. This provided a high-level review that incorporated the key principles set out in CIPFA's Position Statement and publication. Where an audit committee had a high degree of performance against the good practice principles, then it was an indicator that the committee was soundly based and had in place a knowledgeable membership.

Further to Members giving consideration to the self-assessment of good practice in the new guidance, it was felt necessary that an Annual Report and an Action Plan be devised and this be carried out by the Chair, in conjunction with the Head of Internal Audit and the Section 151 Officer and presented to a future meeting of the Committee.

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Moved by Councillor David Dixon and seconded by Councillor Jim Clifton

RESOLVED that an Annual Report and an Action Plan be devised and this be carried out by the Chair, in conjunction with the Head of Internal Audit and the Section 151 Officer and presented at the next meeting of the Committee on 28th January 2020.

(Chair/Head of Internal Audit/Section 151 Officer)

469 COMMITTEE WORK PROGRAMME 2019/20

Committee considered their Work Programme 2019/20.

The Work Programme would be updated with the following items;

28th January 2020;

- Treasury Management Strategies
- Fraud tracker and summary of national fraud initiative
- Draft Action Plan

28th April 2020;

- Draft Annual Report on the work of the Audit Committee

Moved by Councillor Jim Clifton and seconded by Councillor Tom Munro

RESOLVED that the Work Programme be noted and updated with the items as agreed above.

(Head of Finance and Resources)

The meeting concluded at 15:10 hours.