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To: Chair & Members of the Audit Committee

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Monday, 17 February 2020

Dear Councillor

AUDIT COMMITTEE

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held in the Council Chamber, The Arc, Clowne on Tuesday, 25th February, 2020 at 14:30 hours.

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 from page 2 onwards.

Yours faithfully



Joint Head of Corporate Governance & Monitoring Officer



We speak your language
Polish **Mówimy Twoim językiem**
Slovak **Rozprávame Vaším jazykom**
Chinese **我们会说你的语言**

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If you require an adjustment to enable you to participate in or access the meeting please contact the Governance Team at least 72 hours before the meeting starts.

**AUDIT COMMITTEE
AGENDA**

Tuesday, 25th February, 2020 at 14:30 hours in the Council Chamber, The Arc, Clowne

Item No.	<u>PART 1 – OPEN ITEMS</u>	Page No.(s)
1.	Apologies For Absence	
2.	Declarations of Interest	
	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of: a) any business on the agenda b) any matters arising out of those items and if appropriate, withdraw from the meeting at the relevant time.	
3.	CIPFA Audit Training and Self Assessment Action Plan	3 - 8

Report on CIPFA Audit Training on 23 January 2020 Cllr Tom Munro, Chair Audit Committee

Summary of Course

By and large Bolsover District Council Audit Committee, 151 Officer and the Internal Audit Consortium Manager are meeting the CIPFA requirements however there are areas where we can enhance the service that we currently provide.

Course Content:

- Supporting effective governance
- Procurement and contract risks
- Supporting effective internal audit
- Developments in external audit

Supporting effective governance:

Overview of governance framework

Role of the local code of governance

Covered the principles as set out by CIPFA and Solace which should underpin the BDC Annual Governance Statement.

For our consideration:

- *Do we receive an annual report on complaints from the monitoring officer?*
- *When defining outcomes of our work, do we benchmark and if so against whom do we benchmark?*
- *From the perspective of reporting to Council, should the Report of the recent Peer Review be an agenda item at a future Audit Committee meeting and potentially contribute to the Action Plan?*
- *Should the work of Scrutiny Committees form part of audit?*

Annual Governance Statement

This covered “Local Code” and the Annual Governance Statement and flagged up as detailed below.

For our consideration Local Code:

Does it:

- *Link to the principles in the framework?*
- *Say what arrangements you actually have in place?*
- *Provide web links to further detail where helpful?*

Is it:

- *Short and readable?*
- *Current?*
- *Easily accessible?*

I have located a reference to the BDC Local Code on our website within the Annual Governance Statement which is itself at the end of the Annual Accounts Statement.

Should both the Local Code and Annual Governance Statements have greater prominence on the website?

Could these two documents be presented in a much more user-friendly way? See for example:

- *Leicestershire CC*
- *Manchester City Council*
- *Wrexham Town Council*

[?] Recent reports and recommendations on governance

This covered the most recent reports from

- National Audit Office and Public Accounts Committee
- Committee on Standards in Public Life
- Statutory guidance on scrutiny

*For our consideration points which we may already address;
Update / develop an effective local code*

- [?] Monitor governance issues raised in 2018/19**
- [?] Consider assurances available on governance**
- [?] Review approach to 2019/20 AGS**
- [?] Keep up to date with governance developments**

Procurement and contract risks

This aspect of the BDC Audit Committee is managed by the Internal Audit Consortium and reported on as appropriate however there are questions that we should be asking to ensure that we are able to support their work such as:

- *Do we examine common areas of weakness such as: lack of clarity over needs, weak business cases, poor market engagement, failure to anticipate future demands or trends and poor planning?*
- *Do we have:*

*Up to date over-arching strategies eg commercial strategy,
procurement strategy*

- [?] Clear allocation of responsibilities, including governance and oversight**
- [?] Guidance on planning eg business cases, option appraisals**
- [?] Evaluation and feedback**
 - *Does the internal audit consortium team have access to contractors?*
 - *Do we benchmark this aspect of our work?*
 - *How do we know that contracts are robustly drawn up, contract risks are understood and mitigating measures are in place in the event of contractor failure?*
 - *Are there appropriate performance measures in place?*

Common areas of weakness were identified which I have brought to the attention of the 151 Officer and the Internal Audit Manager.

Supporting effective internal audit

As detailed above this aspect of BDC Audit is managed and reported to us by the Internal Audit Consortium which covers the work of BDC, NE Derbyshire and Chesterfield Borough. The BDC Internal Audit Plan 2019/20 details of the areas covered by their service in respect of providing “assurance levels”.

Key points to note

- [?] Mission and core principles**
- [?] IASAB guidance**
- [?] Safeguarding independence**
- [?] Board and the audit committee**
- [?] Responsibility for other functions**
- [?] Links to other local government requirements**
- [?] Delivering Good Governance in Local Government, Framework 2016**

Learning points from external quality assessments (EQA)

- ☐ Internal Audit Charters
- ☐ Make sure they are up to date
- ☐ Include all mandatory elements eg mission of internal audit,
- ☐ Arrangements to safeguard independence
- ☐ Definitions of assurance and consultancy work
- ☐ Good practice for internal audit to bring to the audit committee
Annually

Do we:

- *Provide sufficient challenge on internal control matters?*
- *Follow up recommendations?*
- *Understand the impact of professional standards?*
- *Support the quality and improvement programme?*
- *Challenge internal audit to provide effective assurance?*
- *Provide feedback?*

Developments in external audit

A new code of audit practice becomes effective from 2020/21 audits and here are the key changes:

New code of audit practice effective from 2020/21 audits

§ Consultation closed November 2019

§ Key changes to note:

§ Commentary on VfM arrangements rather than conclusion

§ Commentary will cover:

§ Financial sustainability

§ Governance

§ Improving economy, efficiency and effectiveness

§ Emphasis on timely reporting

§ Importance of knowledge and skills

- There will be no change for 2019/20 audit reports
- There is greater opportunity for more detailed discussions with our auditors on any concerns
- The new report will contain more detailed information and recommendations
- There is an opportunity to have an impact on VFM arrangements

Overall summary

The course proved to be useful and thought provoking. Most of the questions that I have posed may well already be covered by our current practice and we look forward over the course of the next few meetings to receiving the relevant assurances however, a weakness I feel that was highlighted was our ability to communicate with the public and the Council in a clear transparent and accessible manner. There are some interesting examples of practice available which we might wish to consider as we move forward.

There are three pdf presentations which I am more than happy to share with members of the Audit Committee.

Tom Munro
Chair BDC Audit Committee

Appendix 1

BOLSOVER DISTRICT COUNCIL – Audit Committee Self - Assessment Action Plan January 2020

	Issue Identified	Action Identified	Action By	Target Date
1	The Audit Committee doesn't report directly to full Council	Production of an annual report to go to full council each May / consideration of a mid -year update / provision of minutes to full council/ involvement of Scrutiny required?	Head of Finance + Resources/ IAC Manager / Chair of the Audit Committee	May 2020
2	The role and purpose of the Audit Committee is not fully understood and accepted across the authority	Addressed by the production of an annual report as above – could also promote through including on internal training/ promote on intranet?	As above	As above
3	The Committee has not considered the wider areas of CIPFA's position statement and whether it would be appropriate for the committee to undertake them	The wider areas to be identified and an exercise undertaken to see if these are covered elsewhere and if not if the Audit Committee wish to add them to their terms of reference – (are VFM + ethics covered by any of the Scrutiny committees?)	Head of Finance + Resources/ IAC Manager / Chair of the Audit Committee	May 2020
4	It is unknown if there is an appropriate mix of knowledge and skills among the membership	Members to identify gaps in their skills to be addressed via training Include in the induction training for the future, if not already.	Audit Committee Members / Head of Finance + Resources / IAC Manager	May 2020

	Issue Identified	Action Identified	Action By	Target Date
5	The membership of the committee has not been assessed against the core knowledge and skills framework.	As above plus comparison of skills with Appendix C of CIPFA's Audit Committees: practical guidance for local authorities and police 2018 edition	Audit Committee Members / Head of Finance + Resources / IAC Manager	May 2020
6	The Committee hasn't obtained feedback on its performance from those interacting with the committee or relying on its work	Annual report to request feedback / provide a mechanism for giving feedback. Others to be asked directly for feedback e.g. External Audit, Internal Audit, Head of Finance + Resources	Audit Committee Members/ Head of Finance + Resources/ IAC Manager	May 2020
7	The level of engagement and discussion from Members varies	Training required? With experience comes confidence so time may be what is needed.		
8	The Committee has not evaluated how it adds value to the organisation	This will be addressed via the production of an annual report	Audit Committee Members / Head of Finance + Resources / IAC Manager	May 2020
9	The Committee does not have an action plan to improve any areas of weakness	Production of an action plan arising from the annual self -assessment	Head of Finance + Resources/ IAC Manager / Chair of the Audit Committee	January 2020

	Issue Identified	Action Identified	Action By	Target Date
10	The Audit Committee does not publish an annual report to account for its performance and explain its work	That the Audit Committee produce an annual report for Council detailing the work that it has undertaken during the year and how it has added value to the Council's governance arrangements – tie in to the Annual Governance Statement.	Chair of the Audit Committee/ Internal Audit Consortium Manager / Head of Finance + Resources	Each April / May