

## **AUDIT COMMITTEE**

Notes of an inquorate meeting of the Audit Committee of the Bolsover District Council held as a hybrid meeting both virtually and in the Council Chamber, The Arc, Clowne on Tuesday 27<sup>th</sup> April 2021 at 1400 hours.

### **PRESENT:-**

Members:-

Councillor Tom Munro in the Chair

Councillors David Dixon and Ruth Jaffray (Co-opted Member).

Officers:- Lee Hickin (Director of Corporate Resources), Mark Sturridge (MAZARS), Theresa Fletcher (Head of Finance & Resources), Jenny Williams (Internal Audit Consortium Manager), Alison Bluff (Governance Officer) and Tom Scott (Governance Officer).

### **AUD27-20/21      APOLOGIES**

Apologies for absence were received on behalf of Councillors Chris Kane, Tom Kirkham and Jim Clifton.

**Councillors Tom Munro and David Dixon agreed that the meeting continue in an inquorate capacity and that the Minutes of the last meeting and the two reports on the agenda requiring endorsement be presented to the next meeting of Audit Committee.**

### **AUD28-20/21      URGENT ITEMS OF BUSINESS**

There were no urgent items of business.

### **AUD29-20/21      DECLARATIONS OF INTEREST**

No declarations of interest were made.

### **AUD30-20/21      MINUTES – 26<sup>TH</sup> JANUARY 2021**

**The Minutes of the Audit Committee meeting held on 26<sup>th</sup> January 2021 would be presented to the next meeting of Audit Committee for approval.**

(Governance Manager)

## AUDIT COMMITTEE

**AUD31-20/21**

### **CHANGE TO ORDER OF BUSINESS TO THAT STATED ON THE AGENDA**

The Chair consented to a change in order of business to that stated on the agenda. Agenda item 9 – Risk Management, report of the Director of Corporate Resources would be heard as the first item.

**AUD32-20/21**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES – RISK MANAGEMENT**

Members considered a report of the Director of Corporate Resources which provided an update on the position regarding the Council's Risk Management arrangements and Strategic Risk Register as at April 2021.

The Council had a robust Risk Management Strategy and Action Plan in place which enabled the Council to manage the many and varied risks facing the Organisation. The approach to managing risks was applied within decision making processes and was continuous with a structured review process overseen by the Risk Management Group.

The Risk Management Group, which was Member and officer led, provided a comprehensive oversight of risk throughout the organisation and was the conduit to and from the whole organisation in terms of risk management. The group was also responsible for risk management reporting to stakeholder groups across the Council, including this Committee, and supported the production of the Annual Governance Statement.

At its meeting held on 20<sup>th</sup> January 2021, the group had reviewed the Strategic Risk Register and Property Service's Operational Risk Register. Comments, observations and suggestions made from those reviews were detailed in the report for Committee's information.

The Director of Corporate Resources drew the meetings attention to STR12 in the Register, (*Cyber security attack which severely impacts ICT systems and data, e.g., ransomware attack rendering access to ICT unavailable for some time*), and noted that the group had agreed that this be elevated from an operational risk to a strategic risk due to staff working from home during the current Covid 19 pandemic.

With regard to audit, the Internal Audit Consortium Manager had advised the group that recent audit work had not identified any major control risks due to Covid 19, and the Audit Plan 2021/2022 has been considered by the Risk Management Group.

The Director of Corporate Resources advised that he was currently developing a training pack in relation to risk management, for staff, managers and Members.

In response to a Member's query, the Director of Corporate Resources confirmed that the Partnership and Project Risk Registers related to any partnership and any project that the Council would associate with.

## AUDIT COMMITTEE

Members expressed approval and agreed that the report was a well thought out comprehensive document and the Chair requested that the Director of Corporate Services relay this to the Risk Management Group.

**PROPOSED** that the report be noted.

The Director of Corporate Services left the meeting.

### **AUD33-20/21                    REPORT OF THE COUNCIL'S EXTERNAL AUDITOR, MAZARS – AUDIT STRATEGY MEMORANDUM YEAR ENDING 31<sup>ST</sup> MARCH 2021**

Members considered a report of the Council's External Auditor, Mazars, in relation to their Audit Strategy Memorandum for the year ending 31<sup>st</sup> March 2021.

Mark Sturridge presented MAZARS Audit Strategy Memorandum for Bolsover District Council and explained that the purpose of the document was to summarise MAZARS audit approach, highlight significant audit risks and areas of key judgements and provide Members with the details of MAZARS audit team.

A new area for audit review was the Government's grant funding in relation to the Covid 19 Pandemic – a financial statement risk would require some additional scrutiny and how the grants had been accounted for – some would feature in the financial statements and some would not and Mazars would ensure the correct accounting treatment had been followed.

With regard to Value for Money, Mazars were required to form a view as to whether the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office issued guidance to auditors that underpinned the work they were required to carry out in order to form their view and set out the overall criterion and sub-criteria that auditors were required to consider.

The new Code of Audit Practice (the Code) had changed the way in which auditors reported their findings in relation to Value for Money (VFM) arrangements from 2020/21. Mazars were still required to be satisfied that the Council had proper arrangements in place and to report where they had identified significant weaknesses in arrangements. However, the key output of Mazars work on VFM arrangements would now be a commentary on the Council's arrangements which would form part of the Auditor's Annual Report.

It was a fundamental requirement that an auditor was, and was seen to be, independent of its clients and section 7 of the document summarised Mazars considerations and conclusions on their independence as auditors.

**PROPOSED** that the report be noted.

## AUDIT COMMITTEE

**AUD34-20/21**

### **REPORT OF INTERNAL AUDIT – SUMMARY OF PROGRESS ON THE 2020/2021 INTERNAL AUDIT PLAN**

Members considered a report of the Internal Audit Consortium Manager which provided a summary of progress on the 2020/2021 Internal Audit Plan.

Appendix 1 to the report provided a summary of 5 reports issued between 1st January 2021 and 9th April 2021. In this period, 4 reports had been issued with substantial assurance and 1 with reasonable assurance. The Appendix showed for each report the number of recommendations made/agreed where a full response had been received.

In respect of these audits it was confirmed that no issues relating to fraud were identified.

Appendix 2 to the report showed the 2020/21 Internal Audit Plan and detailed the audits completed and those still in progress. Where audits would not be completed in the current financial year, they had been considered for inclusion in the 2021/22 Internal Audit Plan following a risk assessment exercise, and consultation with Strategic Alliance Management Team.

A full annual report would be presented to the July Audit Committee meeting and this would summarise all audits completed in the year with their conclusions.

**PROPOSED** that the report be noted.

**AUD35-20/21**

### **REPORT OF INTERNAL AUDIT – INTERNAL AUDIT PLAN 2021/2022**

Members considered a report of the Internal Audit Consortium Manager in relation to the Internal Audit Plan 2021/2022.

A summary of the internal audit plan for 2021/22 was provided in the report with the detailed plan shown in Appendix 1.

The audit plan was designed to provide assurance that the significant risks identified as part of the risk assessment process were being managed effectively. If additional risks were identified and/or there were changes to priorities during the year, the plan would be reconsidered. Any significant changes to the plan would be reported back to the Committee for approval.

The Internal Audit Consortium Manager advised the meeting that the number of contingency days in the plan had been increased to allow for coverage of any unforeseen or emerging risks. A number of reserve audit areas had also been identified and whilst every effort would be made to complete the 2021/22 planned areas first, a list of reserved areas provided more flexibility. At certain times of the year, particularly year-end and, for example during lockdown, there could be legitimate reasons why an audit was not feasible at a particular time. If the contingency days were not required then these would be utilised on the reserve areas.

## **AUDIT COMMITTEE**

Committee was asked to note that the frequency of some audits would be reduced over the following few years whilst the reduction in the number of audits completed in 2020/21 due to COVID-19 was caught up on.

An annual report summarising the outcome of the 2020/21 internal audit plan will be presented to this Committee after the year-end.

**The 2021/2022 Internal Audit Plan report would be presented to the next meeting of Audit Committee for approval.**

(Internal Audit Consortium Manager/Governance Manager)

### **AUD36-20/21            REPORT OF INTERNAL AUDIT – CIPFA FRAUD AND CORRUPTION TRACKER SURVEY RESULTS**

Members considered a report of the Internal Audit Consortium Manager in relation to the results of CIPFA's Fraud and Corruption Tracker Survey 2019/2020.

The CIPFA Counter Fraud Centre was launched in July 2014 to fill the gap in the UK fraud arena following the closure of the National Fraud Authority and the Audit Commission.

CIPFA's Fraud and Corruption Tracker (CFaCT) survey was undertaken in 2020 and provided a national picture of fraud, bribery and corruption in local government. The key findings of the 2019/2020 survey were detailed in the report.

The Council took the risk of fraud very seriously and had a range of measures in place to reduce the risk of fraud occurring. All departments at BDC were asked to provide any relevant data for the CIPFA survey and a nil return was submitted for each area.

The Council's approach of zero tolerance towards fraud was set out in the Council's Anti-Fraud and Bribery and Corruption Policy, which was approved at the October 2015 meeting of this Committee. The policy was in the process of being refreshed but had been delayed due to Covid 19.

A Member queried if the CIPFA survey provided a percentage breakdown of councils' internal and external fraud. The Internal Audit Consortium Manager advised that the survey had not provided this but she would enquire with CIPFA to see if they held this information.

**PROPOSED** that the results of the survey be noted.

### **AUD37-20/21            REPORT OF THE HEAD OF FINANCE & RESOURCES – NEW FINANCIAL MANAGEMENT CODE**

Members considered a report of the Head of Finance & Resources in relation to a new CIPFA Financial Management Code (FM Code).

## AUDIT COMMITTEE

The general financial management of a local authority in the UK has been governed by primary legislation, regulation and professional standards but not supported by a professional code.

In December 2019, the Chartered Institute of Public Finance and Accountancy (CIPFA), published a Financial Management code to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management. The code had been applicable in shadow form during 2020/21 with compliance expected from 2021/22.

The Code focused on value for money, governance and financial management styles, financial resilience and financial sustainability. It identified the risks to financial sustainability and introduced an overarching framework of assurance which built on existing financial management good practice.

Demonstrating compliance with the FM Code was a collective responsibility of Elected Members, the Chief Finance Officer (Head of Finance and Resources) and the Corporate Leadership Team.

From 2021/22, the Council's external auditors would have regard to the FM Code and would be looking to ensure that the Council was meeting it. Furthermore, CIPFA guidance issued in February 2021 stated that the Council's Annual Governance Statement for 2020/21, should include the overall conclusion of the assessment of the organisation's compliance with the principles of the FM Code. Where there were outstanding matters or areas for improvement, these should be included in an action plan.

To ensure that the Council met the FM Code in 2021/22, the Council's Internal Audit Consortium carried out an audit during September 2020, which concluded that the Council already complied with the majority of the FM Code requirements. However, 3 recommendations were raised which were being implemented during 2021/22.

**PROPOSED** that the report be noted.

## AUD38-20/21      REPORT OF THE HEAD OF FINANCE & RESOURCES – AUDIT COMMITTEE WORK PROGRAMME 2020/2021

Members considered a report of the Head of Finance & Resources in relation to the Committee's Work Programme 2020/2021.

The agenda items requiring approval at this meeting would be included on the Work Programme for the next meeting.

**PROPOSED** that the Audit Committee Work Programme 2020/2021 be noted.

(Head of Finance & Resources/Governance Manager)

The meeting concluded at 1445 hours.