

## **AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber, The Arc, Clowne, on Monday 29<sup>th</sup> July 2019 at 1400 hours.

### **PRESENT:-**

Members:-

Councillor Tom Munro in the Chair

Councillors Jim Clifton and Chris Kane.

Officers:- Lee Hickin (Joint Strategic Director – People), Theresa Fletcher (Chief Accountant and Section 151 Officer), Steve Yates (Senior Auditor) and Donna Cairns (Senior Governance Officer).

Also in attendance at the meeting was Mike Norman (Mazars, the Council's External Auditors).

### **0183. APOLOGY**

Apologies for absence had been received on behalf of Councillors David Dixon and Tom Kirkham and Ruth Jaffray (Co-opted Member).

### **0184. URGENT ITEMS OF BUSINESS**

There were no urgent items of business considered at the meeting.

### **0185. DECLARATIONS OF INTEREST**

Members were requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

There were no declarations of interest made.

### **0186. MINUTES – 16<sup>th</sup> APRIL 2019**

Moved by Councillor Tom Munro and seconded by Councillor Jim Clifton

**RESOLVED** that the Minutes of the meeting of Audit Committee held on 16<sup>th</sup> April 2019 be approved as a correct record.

## AUDIT COMMITTEE

### REPORT OF THE COUNCIL'S EXTERNAL AUDITOR

#### 0187. AUDIT COMPLETION REPORT

Committee considered the report of the Council's External Auditors Mazars which set out the findings from the audit of the Council for the financial year ending 31<sup>st</sup> March 2019.

The report outlined the detailed findings from the auditors work on the financial statements and their conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 of the report also included conclusions on the audit risks and areas of management judgement in the Audit Strategy Memorandum which included:

##### *Significant Audit Risks*

- Management override of controls
- Valuation of property, plant and equipment (PPE), investment properties (IP) and assets held for sale (AHFS)
- Valuation of net defined benefit liability

##### *Key Judgement Areas:*

- Provision for business rate appeals against the rating list
- Minimum revenue provision (MRP)

Mazars had not identified any material errors or uncertainties in the financial statements in relation to management override of controls and no material errors in the financial statements had been identified.

All local authorities had been affected by an accounting issue that impacted the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) had created uncertainty over whether pension liabilities were fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council therefore prepared the financial statements on this basis. In the auditor's view, these cases gave rise to at least a constructive obligation to be recognised under IAS 19 Employee Benefits. As a result the Council obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues.

This updated valuation report was received in July 2019 and included material differences to the original report used to prepare the draft financial statements. The Council was to amend the draft financial statements for these differences.

The report detailed the material misstatements that had been amended in the final financial statements. These stemmed from the Pension Fund revised valuation. There were no unadjusted misstatements above the level of the trivial threshold of £63k.

The audit procedures in relation to the Council's provision for business rate appeals and in relation to the Council's Minimum Revenue Provision had not identified any material errors or uncertainties in the financial statements.

## AUDIT COMMITTEE

As part of the audit, the internal controls in place relevant to the preparation of the financial statements were considered and not significant control deficiencies were identified.

The issues in respect of the valuation of the Pension Liability was a complex area, which required third party input. Within the compressed reporting deadlines this presented some challenges to all parties in completing the final accounts and the audit. Mazars were to discuss with the Council's management team the impact of these issues and any other matters arising in relation to the audit fee. The Audit Committee would be updated if a fee variation application would be required.

The auditors reported that they anticipated issuing an unqualified opinion in respect of the amended financial statements; an unqualified value for money opinion and a conclusion that the authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditors identified areas to keep under close review including: financial sustainability and the Council's Commercial Property Investment Strategy.

The draft Auditor's Report stated that in their opinion the financial statements gave a true and fair view of the financial position of Bolsover District Council as at 31st March 2019 and of its expenditure and income for the year; and they had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

A draft Letter of Representation to be sent from the Section 151 Officer to the Auditors was attached to the report. Mazars confirmed that this letter need only be signed by the Section 151 Officer, but with the Committee's authorisation.

Moved by Councillor Jim Clifton and seconded by Councillor Chris Kane  
**RESOLVED** that -

- (i) the Audit Completion Report be noted.
- (ii) the Letter of Representation, at Appendix 1 to the report, be approved and the Chief Accountant and Section 151 Officer be authorised to sign the letter on behalf of the Council.

(Chief Accountant and Section 151 Officer)

### **REPORTS OF THE INTERNAL AUDIT CONSORTIUM MANAGER 0188. INTERNAL AUDIT CONSORTIUM 2018/19 ANNUAL REPORT TO BOLSOVER DISTRICT COUNCIL**

Committee considered a report of the Internal Audit Consortium Manager which gave a summary of the internal work undertaken during 2018/19 and gave an opinion on the overall adequacy and effectiveness of the Council's control environment. 39 reports had been issued in the year with 95% of reports achieving substantial or reasonable assurance.

## AUDIT COMMITTEE

There were two limited assurance reports during the year – Health and Safety and Property Services compliance. Management had agreed the recommendations and had either implemented them or were working towards implementing them. Both areas were also on the Audit Plan for 2019/20 to be revisited.

In the report the Internal Audit Consortium Manager had given her opinion that reasonable assurance could be provided on the overall adequacy and effectiveness of the Council's framework for governance, risk management and control for the year 2018/19.

No matters arising from internal audit were recommended to be implemented in the Annual Governance Statement. Although there were two limited assurance reports, sufficient progress had been made on the implementation of the recommendations.

In relation to the 2018/19 Internal Audit Plan, 98% of the planned audits had been completed and reported on. The remaining audit on the dog warden service was deferred to 2019/20 and the audit on housing repairs (voids) was also postponed. In its place an audit of cash and bank took place.

The Internal Audit Consortium's performance against its performance indicators was detailed in the report.

The report also confirmed the arrangements for compliance with the Public Sector Internal Audit Standards and other quality assurance results.

It was considered that the Audit Charter requirements had been met during the year.

Moved by Councillor Tom Munro and seconded by Councillor Jim Clifton  
**RESOLVED** that the Internal Audit Consortium Report for 2018/19 be noted.

(Internal Audit Consortium Manager)

### **0189. SUMMARY OF PROGRESS ON THE ANNUAL INTERNAL AUDIT PLAN 2018/19 AND 2019/20**

Committee considered a report of the Internal Audit Consortium Manager which presented progress made by the Internal Audit Consortium in respect of the Internal Audit Plans 2018/19 and 2019/20.

There were four final reports issued in respect of the 2018/19 Internal Audit Plan and two reports issued in respect of the 2019/20 Internal Audit Plan up to 28<sup>th</sup> June 2019.

Six reports were referred to in this report in total, 3 with substantial assurance and 3 with reasonable assurance.

Moved by Councillor Jim Clifton and seconded by Councillor Chris Kane  
**RESOLVED** that the report be noted.

(Internal Audit Consortium Manager)

## AUDIT COMMITTEE

### **0190. IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS**

Committee considered a report of the Internal Audit Consortium Manager which presented a summary of the internal audit recommendations made and implemented for the financial years 2016/17 – 2018/19.

This report was to inform the Committee of the progress made in respect of the implementation of internal audit recommendations. This was to ensure that the risk of fraud and error would be reduced and that internal controls operate effectively.

The recommendations were categorised as high, medium or low priority. In 2016/17, 66 recommendations had been made and 100% had been implemented.

In 2017/18, 78 recommendations had been made and 99% had been implemented. The one recommendation that was overdue was classed as medium priority and related to Food Hygiene Enforcement.

In 2018/19, 115 recommendations had been made, 72 of which were due to have been implemented by this stage. 79% of those had been implemented so far. 43 of the recommendations were not yet due. 15 recommendations were overdue. These related to risk management (4), money laundering (6), transport (2), health and safety (3).

Details of the outstanding recommendations and the steps taken by the relevant managers to progress these actions were appended to the report.

Moved by Councillor Tom Munro and seconded by Councillor Jim Clifton  
**RESOLVED** that the report be noted.

(Internal Audit Consortium Manager)

### **REPORTS OF THE CHIEF ACCOUNTANT AND SECTION 151 OFFICER**

#### **0191. BOLSOVER DISTRICT COUNCIL – STATEMENT OF ACCOUNTS 2018/19**

The Committee considered the report of the Chief Accountant and Section 151 Officer which presented the audited Statement of Accounts for 2018/19.

The outturn position for the Council had previously been reported to Executive and Budget Scrutiny Committee. The External Auditors, Mazars, had been conducting the audit during May, June and July. The Audit Completion Report was considered earlier at this meeting.

It was recommended that authority be delegated to the Section 151 Officer, in consultation with the Chair and Vice-Chair of Audit Committee, to agree any final changes to the Statement of Accounts relating to amendments agreed with the external auditors, Mazars.

## AUDIT COMMITTEE

Moved by Councillor Chris Kane and seconded by Councillor Jim Clifton  
**RESOLVED** that Audit Committee:

- (i) approve the audited Statement of Accounts in respect of 2018/19.
- (ii) grant delegated authority to the Chief Financial Officer in consultation with the Chair or Vice Chair of the Audit Committee to agree any changes agreed with the Council's external auditors Mazars, which may be necessary to ensure the completion of the Statement of Accounts by 31 July 2019.

(Chief Accountant and Section 151 Officer)

### **0192. COMMITTEE WORK PROGRAMME 2019/20**

The Committee considered the report of the Chief Accountant and Section 151 Officer which set out the proposed work programme for the municipal year 2019/20.

The proposed work programme was appended to the report. There were some items in the programme which must be approved at specific meetings such as the approval of the Statement of Accounts but there was also flexibility allowed with other regular items. Matters could also be added or removed as appropriate throughout the year.

Moved by Councillor Tom Munro and seconded by Councillor Chris Kane  
**RESOLVED** that the Committee endorse the Work Programme for 2019/20 as attached to the report.

(Chief Accountant and Section 151 Officer)

## **REPORT OF THE JOINT STRATEGIC DIRECTOR - PEOPLE**

### **0193. STRATEGIC RISK REGISTER AND PARTNERSHIP ARRANGEMENTS**

Committee considered a report of the Joint Strategic Director – People in relation to the Council's Strategic Risk Register as at 31<sup>st</sup> March 2019.

The report ensured that Committee were kept informed concerning the Council's latest position regarding Risk Management and Partnership working and were able to exercise effective influence on the Council's Risk Management arrangements. The report was to be considered by Executive at its meeting on 16<sup>th</sup> September 2019.

There were no new risks added to the Strategic Risk Register since the last review in December 2018, however the risks and mitigation continued to be monitored by the Senior Management Team and Portfolio Holders at quarterly performance meetings.

## **AUDIT 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 is achieved. The Strategic Director – People informed Members that he intended to produce a new Risk Management Strategy as part of this review and that a Member-lead Risk Management Group would be proposed to oversee the Strategy and policies/documents sitting below it.

Audit Committee had no recommendations on the proposal to make at this time but requested that the Strategy and proposals be brought back to Audit Committee prior to approval.

Moved by Councillor Jim Clifton and seconded by Councillor Tom Munro  
**RESOLVED** that the report be noted.

(Joint Strategic Director - People)

The meeting concluded at 1443 hours