

AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 25 JUNE 2015

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AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 25 JUNE 2015

Present:

Councillor D Skinner (Chair)
Mrs C A Smith (Vice Chair)

Councillor A Garrett
“ M E Thacker

Councillor G Morley

Also Present:

Mr B Mason – Executive Director – Operations
Ms D Clarke – Assistant Director – Finance, Revenues and Benefits
Mr M Kane – Governance Manager
Ms J Williams – Interim Head of Internal Audit
Mr L Towers – KPMG (the Council's External Auditor)

112 Apologies for Absence

Apologies for absence had been received from Councillors B Barnes, G Butler, S J Ellis and G Griffin-Chappel.

113 Declarations of Interests

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 to withdraw from the meeting at the appropriate time.

There were no interests declared at this meeting.

114 Minutes of Last Meeting

RESOLVED: That, with the correction of two typographical errors at the top of page 2, the minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 28 May 2015 be approved as a correct record and signed by the Chair.

115 Annual Audit Fee 2015/2016

The Committee considered a report of the Council's External Auditor, KPMG, which asked them to note the letter concerning the Annual Audit Fee 2015/2016 from the Council's External Auditors.

It was noted that the planned fee for 2015/2016 of £56,507 was a 25% reduction on last year's fee. However, should any further work be needed to be undertaken by external audit this would incur additional costs.

RESOLVED: That the Audit and Corporate Governance Scrutiny Committee notes the letter from the Council's External Auditors, KPMG, in respect of the Annual Audit Fee 2015/2016.

116 Technical Update

The Committee considered a report of the Council's External Auditor, KPMG, which set out a technical update for June 2015.

The technical update included details of a piece of work that KPMG had undertaken with Shelter on the state of the housing market. Of particular relevance to the Committee were details of the Local Audit and Accountability Act 2014 which required the draft set of accounts to be provided in line with a shorter timescale than currently applied. . The Draft Statement of Accounts would be required by the end of May rather than June as was currently the case, while the final set of accounts would be required to be signed off by the end of July rather than September.

RESOLVED: That the Committee notes the technical update from the Council's External Auditors, KPMG.

117 Draft Statement of Accounts (Including the Annual Governance Statement) 2014/2015

The Committee considered Report No EDO/5/15/16 of the Executive Director Operations which set out the Draft Statement of Accounts for 2014/2015. As part of the report, Members were asked to note the provisional outturn position in respect of the previous financial year, note that the Chief Financial Officer would sign off the Draft Statement of Accounts prior to submission to External Audit and publish the Annual Governance Statement for 2014/2015 alongside the Council's Statement of Accounts.

The year had seen a General Fund underspend of some £1.286m. The outturn on the Housing Revenue Account was £0.371m better than anticipated meaning that Housing Revenue Account reserves were increased to £2.798m. A total of £30.250m was invested on capital schemes during the year.

RESOLVED: That the public be excluded to avoid the disclosure to them of exempt information as defined in paragraph 3 of Part 1 to Schedule 12A to the Local Government Act 1972 as amended.

The meeting briefly moved into private session to discuss money set aside for legal claims.

RESOLVED: That the meeting move back into public session.

Members briefly debated the accounts and felt that they represented a good result for the Council and District. Thanks were conveyed to staff for their hard work in preparing the draft accounts and Members proposed one addition to the recommendations requiring that accounts of key partners, including the Chesterfield and District

Crematorium and Rykneld Homes, be brought to the Committee for information in future years.

RESOLVED: That:

- (1) The Committee notes that the Executive Director - Operations in his capacity as Chief Financial Officer would authorise the Draft Statement of Accounts 2014/2015 on behalf of the Council.
- (2) The Audited Statement of Accounts 2014/2015 be brought to this Committee at its meeting on 24 September 2015 for approval on behalf of the Council.
- (3) The Accounts of the Council's partners, namely the Chesterfield and District Crematorium and Rykneld Homes, be brought to this Committee in future years.
- (4) The Committee's thanks be conveyed to staff involved in the preparation of the Draft Accounts.

(Executive Director - Operations)

118 Internal Audit Consortium – Summary of Progress on the Annual Internal Audit Plans 2014/2015 and 2015/2016

The Committee considered a report of the Internal Audit Consortium which presented, for Members information, progress made by the Internal Audit Consortium for the period 28 March to 5 June 2015 in relation to the 2014/2015 and 2015/2016 Annual Audit Plans.

Four reports had been undertaken during the period, all of which had secured a good or satisfactory level. Three of the reports contained recommendations which were now being taken forward. All agreed work in relation to the 2014/2015 Internal Audit Plan had been completed with the exception of the Section 106 audit which had been moved into the 2015/2016 Audit Plan.

The following audits were currently in progress:

- Sharley Park Leisure Centre
- Planning Fees
- Dronfield Leisure Centre
- Direct Debit Scheme
- Non Domestic Rates

RESOLVED: That the report be noted.

119 Internal Audit Consortium 2014/2015 Annual Report to North East Derbyshire District Council

The Committee considered a report of the Internal Audit Consortium which represented the Consortium's 2014/2015 Annual Report to the Council.

The report presented summary of the internal work undertaken during 2014/2015 from which the opinion on the internal control environment was derived. The Consortium found that internal controls were considered to be operating satisfactorily or well giving an overall confidence in the internal control system operating in relation to these systems. No areas were judged to be unsatisfactory or unsound. Any control issues arising from audits completed during the year were reported to the Executive Director - Operations for consideration during the preparation of the Annual Governance Statement.

During 2014/2015 a self assessment had been undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non compliance but an improvement plan was developed to address the minor issues that had been identified.

Quality control procedures through individual audit reviews, customer satisfaction surveys and client/officer views all contributed to ensure conformity with the Public Sector Internal Audit Standards.

Based on the information contained within the completed 2014/2015 Internal Audit Plan, it was considered that the requirements of the Audit Charter were met during the year.

Members considered the report and made comments in relation to individual internal audit reports that were issued during the year.

RESOLVED: That the Internal Audit Consortium Annual report for 2014/2015 be noted.

120 Annual Review of the Effectiveness of Internal Audit

The Committee considered Report No EDO/6/15/16/BM of the Executive Director - Operations which provided his annual review of the Council's Internal Audit arrangements and asked Members to consider whether his conclusion at the end of the report represented a reasonable evaluation of the position in respect of the Internal Audit service and its effectiveness as part of the Council's governance arrangements.

The Accounts and Audit Regulations required the Council to conduct an annual review of the effectiveness of its internal audit service. Having considered a variety of evidence and consulted with colleagues in the Strategic Alliance Management Team, and senior finance officers, the Chief Financial Officer was satisfied that the Internal Audit service was operating at an appropriate standard and that it continued to improve the quality of the service that was provided to the Council.

This view was substantiated within the report by a number of reasons which included the Internal Audit Consortium's 95% achievement of the Internal Audit Plan, its compliance with relevant professional standards, while the formal reports issued by Internal Audit were reviewed by the Chief Financial Officer and others.

Two issues in Internal Audit relating to staffing and the potential for a wider shared service were brought to the attention of the Committee. .

Members considered the report and endorsed the Chief Financial Officer's view that the Internal Audit Consortium provided an efficient and effective service that did provide independent challenge to the Council.

RESOLVED: That the Committee agrees with the view of the Chief Financial Officer in his assessment of the Internal Audit service during the 2014/2015 financial year that:

"It is my opinion that the Council's Internal Audit function which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service upon which I can place reliance."

(Executive Director - Operations)

121 Key Issues of Financial Governance

The Committee considered Report No EDO/7/15/16/BM of the Executive Director - Operations which updated the Committee regarding progress in addressing key issues of financial governance.

Key issues identified included:

- Actions necessary to achieve a balanced budget over the period of the Medium Term Financial Plan.
- Minimising the risk of a reduction in financial balances.
- Managing key partnership arrangements.
- Improving the quality of performance monitoring within the Council.
- Setting appropriate procedures and targets for the recovery of debt arrears.
- Monitoring the impact of new legislation.
- Maintaining key internal controls.

Previous comments made by the Committee in relation to having lead officers for the issues identified would be picked up by the Chief Financial Officer in the next report.

RESOLVED: That the report be noted and that the issue as regards identifying a lead officer within the Action Plan in respect of arrears be addressed in the next report.

(Executive Director - Operations)

122 Chairs Urgent Business

There were no items of urgent business to be considered at this meeting.