

AUDIT COMMITTEE

6.00 P.M.

22ND JANUARY 2014

PRESENT: Councillors Malcolm Thomas (Chairman), Peter Williamson (Vice-Chairman), Paul Aitchison (substitute for Vikki Price), Jon Barry, Geoff Knight, Richard Newman-Thompson and David Whitaker

Apologies for Absence:

Councillor Vikki Price

Officers in Attendance:

Nadine Muschamp
Derek Whiteway
Jane Glenton

Chief Officer (Resources) and Section 151 Officer
Internal Audit Manager
Democratic Support Officer

Also in Attendance:

Sukhsimran Singh Assistant Manager, KPMG LLP

17 **MINUTES**

The minutes of the meeting held on 18th September 2013 were signed by the Chairman as a correct record.

18 **ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN**

There were no items of urgent business.

19 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

20 **ANNUAL AUDIT LETTER 2012-13**

Committee received KPMG LLP's Annual Audit Letter 2012-13 summarising the results of their 2012/13 audit of Lancaster City Council, which covered the Council's 2012/13 financial statements and the 2012/13 Value for Money (VFM) conclusion.

Sukhsimran Singh of KPMG LLP was in attendance to present the report, which summarised the key findings from the audit.

The certificate confirming that the audit had been concluded in accordance with the requirements of the Audit Commission Act 1998 and Code of Audit Practice had been issued on 24th September 2013.

Members considered the report and raised questions.

Resolved unanimously:

That the Annual Audit Letter 2012-13 be noted.

21 PUBLIC SECTOR INTERNAL AUDITING STANDARDS AND INTERNAL AUDIT CHARTER

Committee received the report of the Internal Audit Manager to advise Members of the outcome from a self-assessment against the new Public Sector Internal Audit Standards (PSIAS) and seek approval for a revised Internal Audit Charter.

It was reported that, following Committee's approval of the revised Internal Audit Charter on 26th June 2013, a preliminary self-assessment had been completed against the (PSIAS) and Local Government Application Note (LGAN) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Of the 334 lines, the exercise had identified 288 points where compliance had been achieved or was not applicable to the Authority's situation. Non-compliance had been identified in 17 instances and partial compliance in 29 instances where the Authority complied, but it was felt that there was scope to raise standards.

Members considered the resulting Action Plan to address the instances of non-compliance or partial compliance, which was attached as Appendix A to the report and set out a programme of actions covering the next six months, with a view to establishing and demonstrating full compliance with the PSIAS. It was noted that progress with the objective would be included in the 2013/14 annual internal audit report and would be considered at the June meeting of the Committee.

It was reported that the Standards were intended to promote quality, consistency and effectiveness of the internal audit. Key to this was the Quality Assurance and Improvement Programme (QAIP), which assessed the efficiency and effectiveness of the internal audit activity, identified opportunities for improvement and must include internal and external assessments. The external assessments must be conducted at least once every five years and would be carried out by an assessment team from outside the Local Authority. Discussions were being held amongst the members of the Lancashire District Councils Audit Group on the potential for setting up peer review arrangements for the assessments.

The Internal Audit Charter, showing changes and additions, was attached as Appendix B to the report. The opportunity had been taken to update the Charter regarding organisational changes and new senior officer designations. There were no significant matters to be brought to the Committee's attention.

There was some discussion and questions by Members on the proposed Charter.

Resolved unanimously:

- (1) That the proposed action plan in relation to PSIAS compliance (Appendix A to the report) be noted.
- (2) That the revised Internal Audit Charter (Appendix B to the report) be approved.

22 INTERNAL AUDIT MONITORING

Committee received the report of the Internal Audit Manager to advise Members of the latest monitoring position regarding the 2013/14 Internal Audit Plan, seek approval for

proposed variations to the plan and update Members on the results of recent audits. Also, to provide the Committee with an annual update on the Council's position on, and use of, surveillance and seek Members' approval for the continued use of the current Regulation of Investigatory Powers Act 2000 (RIPA) Working Policy.

The monitoring position up to 23rd December 2013 was reported. A detailed monitoring report, as at that date, was attached as Appendix A and a summary of the position at that date was set out in the report. A review of attendance and work allocations indicated that the previously anticipated 705 chargeable days should be achievable for the year.

It was reported that proposals had been made within the Assurance Work section to reallocate resources to reflect an increased commitment to the Revenues and Benefits Shared Service and the Risk Based element of the programme. The total number of days planned on assurance work had been increased by 22 to 452. The Internal Audit Manager reported that it was proposed to allocate a further 25 days to support the corporate programme of service reviews, and that the increased allocations be met primarily from reductions in the investigations contingency (5 days) and the general contingency (35 days), leaving 14 days unallocated in these contingencies and providing some flexibility for the last quarter of the year. No other significant pressures had been identified within the plan.

The results of internal audit work to 23rd December 2013 and the key conclusions and action plans in relation to those reports where a "Limited" or "Minimal" assurance opinion had been given, were reported. It was proposed that Internal Audit continued to track progress over the coming year on Affordable Warmth, which had been given a "Limited" opinion, and report developments to future meetings of the Audit Committee.

It was reported that the Home Office's recommended practice for local authorities on surveillance and the use of the Regulation of Investigatory Powers Act 2000 (RIPA) was that elected Members should review the authority's use of the 2000 Act, set the policy at least once a year and consider internal reports on the use of the 2000 Act on at least a quarterly basis to ensure that it was being used consistently with the local authority's policy and that the policy remained fit for purpose.

Members were advised that the Council's RIPA Working Policy had last been endorsed on 18th April 2012, and had since been updated to address procedural changes brought about by the Protection of Freedoms Act 2012. The principal changes were:

- A requirement for judicial approval to be obtained for any RIPA authorisation prior to undertaking covert surveillance; and
- Further restrictions on the purpose for which RIPA authorisations may be made, so as to limit their use to "serious crimes". This ruled out the use of RIPA in the detection and prevention of what were regarded as minor offences, for example, dog fouling.

It was reported that the changes meant that the Council's need to employ RIPA in future was low and was likely to be restricted to the investigation of cases of serious taxation or benefit fraud. The current RIPA Working Policy was attached to the report as Appendix B, and the altered sections were highlighted.

Members considered the Internal Audit Plan and the RIPA Working Policy and raised

questions.

Resolved unanimously:

- (1) That the current monitoring position be noted.
- (2) That the proposed revisions to the Audit Plan, as set out in the table in paragraph 1.2 of the report, be approved.
- (3) That the allocation of a further 25 days to undertake work in support of the corporate programme of service reviews, as set out in paragraph 2.3 of the report and updated verbally to the meeting by the Internal Audit Manager, be noted.
- (4) That the results of recent audits, as set out in sections 2 to 3 of the report, be noted.
- (5) That the monitoring statement regarding the use of surveillance be noted and the continued use of the current RIPA Working Policy, as attached at Appendix B to the report, be approved.

Chairman

(The meeting ended at 6.41 p.m.)

**Any queries regarding these Minutes, please contact
Jane Glenton, Democratic Services - telephone 01524 582068, or email
jglenton@lancaster.gov.uk**