

## AUDIT COMMITTEE

6.00 P.M.

21ST JANUARY 2015

**PRESENT:** Councillors Malcolm Thomas (Chairman), Geoff Knight (Vice-Chairman),  
Jon Barry, Richard Newman-Thompson, Elizabeth Scott and  
Peter Williamson

Apologies for Absence:

Councillor David Whitaker

Officers in Attendance:

Nadine Muschamp	Chief Officer (Resources) and Section 151 Officer
Derek Whiteway	Internal Audit Manager
Jane Glenton	Democratic Support Officer

Also in Attendance:

Tim Cutler	Partner, KPMG LLP (UK)
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### 20 MINUTES

The Minutes of the meeting held on 17<sup>th</sup> September 2014 were signed by the Chairman as a correct record.

### 21 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN

There were no items of urgent business.

### 22 DECLARATIONS OF INTEREST

There were no declarations of interest.

### 23 ANNUAL AUDIT LETTER - 2013/14

The Committee received KPMG's Annual Audit Letter summarising the results of their 2013/14 audit of Lancaster City Council (the Authority), which covered the Authority's 2013/14 financial statements and the 2013/14 Value for Money (VFM) conclusion.

Tim Cutler of KPMG LLP (UK) advised that, on 17<sup>th</sup> September 2014, KPMG had issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM) for 2013/14 and an unqualified opinion on the Authority's financial statements.

This meant that the Auditors had concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and that they believed the financial statements gave a true and fair view of the financial position of the Authority and of its expenditure and income for the 2013/14 financial year.

***Resolved:***

That the Annual Audit Letter be noted.

**24 FRAUD BRIEFING 2014**

The Committee received the fraud briefing report of the Audit Commission, which provided information to support Members in considering the Authority's fraud detection activities and local and national risks.

Tim Cutler of KPMG LLP (UK) advised Members that all councils in England were asked to complete the Audit Commission's annual survey of detected fraud. The fraud briefings helped councils to gauge how well they were doing by comparing detected fraud and counter-fraud measures with comparator councils.

It was reported that KPMG, as external auditors, were required to report to the Audit Commission all fraud of £10,000 and over and any incidents of corruption. The City Council had no such events to report.

Members raised a number of questions on the briefing.

***Resolved:***

That the report be noted.

**25 INTERNAL AUDIT MONITORING REPORT**

The Committee received the report of the Internal Audit Manager to advise Members of the latest monitoring position regarding the 2014/15 Internal Audit Plan, seek approval for proposed variations to the Plan and update Members on the results of recent audits.

A detailed monitoring report was attached as Appendix A to the report, based on the monitoring position up to 30<sup>th</sup> December 2014. A summary of the monitoring position at that date was set out in the report, taking account of ongoing and planned work commitments.

The results of Internal Audit work to 30<sup>th</sup> December 2014 were outlined to Members, including the key conclusions and action points in relation to reports where a 'Limited' or 'Minimal' assurance opinion had been given.

It was reported that a significant realignment of remaining plan allocations would be required to manage the availability and use of internal audit resources over the final quarter of the financial year. Arrangements were being made to manage the plan and associated resources so as to maintain the level of independent assurance provided to the Committee and the Council.

***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, be approved.
- (3) That the results of recent audits, as set out in paragraphs 2 to 3 of the report, be noted.

**26 DEVELOPMENT OF INTERNAL AUDIT AND ASSURANCE**

The Committee received the report of the Internal Audit Manager to seek Members' support for proposals for strengthening the Council's information governance and other assurance arrangements (covering Information and Communications Technology (ICT), information management, corporate anti-fraud and internal audit generally).

*Information and Communications Technology (ICT)*

Members were advised that, as part of the 2014/15 budget, Cabinet had supported an outline investment plan and associated growth estimated at £120K per year for ICT Security and Public Services Network (PSN) compliance.

The Council had engaged an external company to undertake a skills review within the ICT Service to inform restructuring proposals. The key findings of the review were that the ICT Service was understaffed and under-skilled in critical areas and needed to draw on external support where it was more cost-effective to do so.

*Information Governance*

It was reported that the Council needed to develop and improve standards of information governance throughout the organisation. A self-assessment of the position had been carried out using the National Archive's information management self-assessment tool. A summary chart and headline results from the review were set out in Appendix A to the report. The conclusion from the analysis was that information management resources and arrangements were insufficient.

*Corporate Anti-Fraud Arrangements*

Members were advised that Government had recently confirmed that all local authority fraud investigators would transfer to the Department of Work and Pensions (DWP) in a phased process to create a Single Fraud Investigation Services (SFIS). Shared service staff currently employed by Preston City Council were scheduled to transfer to the DWP from 1<sup>st</sup> June 2015 as part of these arrangements.

It was proposed that a corporate anti-fraud team be set-up in collaboration with Preston City Council and Fylde Borough Council. The scope of this corporate function would include business rates, council tax discounts and, significantly, council tax support cases, which would not be covered by the Single Fraud Investigation Service.

*Internal Audit and Assurance*

Members were informed that there was scope to broaden and strengthen the Audit Committee's role through development of a corporate assurance framework. This would support the Committee in considering the annual review of effectiveness for the Annual Governance Statement and approval of the internal audit risk-based plan.

It was proposed that the vacant Principal Audit post within Internal Audit be filled and existing levels of resource in the Internal Audit team maintained to incorporate a wider 'assurance' function into the remit of Internal Audit, with particular emphasis on the reporting of assurance to the Audit Committee. Responsibility for fulfilling this wider role would be attached to the Internal Audit Manager and, to a lesser extent, the Principal Auditor.

Members were advised that, at its meeting on 20<sup>th</sup> January 2015, Cabinet had:

- supported the development of the ICT Service and the corporate information governance function (to be financed from within existing budgets);
- supported the setting-up of a corporate anti-fraud team in collaboration with Preston City Council and Fylde Borough Council (subject to it being at least cost neutral); and
- noted the proposed widening of the Internal Audit Service's remit (subject to consideration by the Audit Committee).

Members raised a number of questions on the report.

It was proposed by Councillor Knight and seconded by Councillor Scott:

"That the recommendations set out in the report be approved."

***Resolved unanimously:***

- (1) That the proposals for the development of the ICT Service and the corporate information governance function, as outlined in the report, be supported.
- (2) That the setting-up of a corporate anti-fraud team in collaboration with Preston City Council and Fylde Borough Council, on the basis outlined in the report, be supported.
- (3) That the development of assurance reporting be supported and the proposed widening of the Internal Audit Service's remit be endorsed.

## **27 REGULATION OF INVESTIGATORY POWERS (RIPA)**

The Committee received the report of the Internal Audit Manager to advise Members of the Council's current position regarding the use of surveillance and the outcome of a recent inspection by the Office of the Surveillance Commissioner, and to seek Members' endorsement of the updated Regulation of Investigatory Powers Act (RIPA) Policy.

Members were advised that the Council's Policy - "The Regulation of Investigatory Powers Act 2000 – A Working Policy" - had been established in 2000 and had undergone minor updates since. A copy of the current Policy was attached as Appendix A to the report.

A table in the report summarised the use made of RIPA in recent years to authorise directed surveillance and demonstrated that the Council had continued to take a measured approach to its use.

It was reported that, since the introduction of the legislation, the Council had been visited on five occasions by an Assistant Surveillance Commissioner. A copy of the inspection report from the last visit was attached as Appendix B to the report. The report was positive and made two recommendations, which had been attended to.

It was proposed by Councillor Newman-Thompson and seconded by Councillor Williamson:

"That the recommendations set out in the report be approved."

***Resolved unanimously:***

- (1) That the report be noted.
- (2) That the Council's current RIPA Policy be endorsed.

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Chairman

(The meeting ended at 6.59 p.m.)

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