

AUDIT COMMITTEE

6.00 P.M.

16TH SEPTEMBER 2015

PRESENT: Councillors Matt Mann (Chairman), Susan Sykes (Vice-Chairman), Tim Hamilton-Cox (substitute for Nick Wilkinson), Brendan Hughes, Roger Sherlock (substitute for Anne Whitehead), Malcolm Thomas and David Whitaker

Apologies for Absence:

Councillors Anne Whitehead and Nick Wilkinson

Officers in Attendance:

Nadine Muschamp	Chief Officer (Resources) and Section 151 Officer
Andrew Clarke	Financial Services Manager (for Minute Nos. 12 to 16 only)
Derek Whiteway	Internal Audit Manager
Jane Glenton	Democratic Support Officer

Also in Attendance:

Richard Lee	Senior Manager, KPMG LLP (UK)
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12 MINUTES

The Minutes of the meeting held on 17th June 2015 were signed by the Chairman as a correct record.

13 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN

In accordance with Section 100B (4) of the Local Government Act 1972 (as amended), the Chairman ruled that the Committee should consider an item of urgent business relating to the Review of Governance and the Annual Governance Statement 2014/15. The reason for urgency was that the report had required further discussion by Management Team and had not, therefore, been available at the time of Agenda publication.

The Chairman informed the Committee that the report would be considered following declarations of interest.

14 DECLARATIONS OF INTEREST

There were no declarations of interest.

MATTERS FOR DECISION**15 ITEM OF URGENT BUSINESS - REVIEW OF GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT 2014/15**

The Committee received the report of the Chief Executive to seek approval for the draft Annual Governance Statement for the 2014/15 financial year.

It was reported that a review had been undertaken of the Council's position and performance against the Code of Governance approved in September 2012. The results of the evaluation exercise showed that there had not been any dramatic changes in the evaluation over the last year.

The document compiled to detail the identified "sources" of assurance for each element of the Code had been updated and individual "assurance statements" in relation to internal control and governance arrangements had been sought from managers at the level immediately below Chief Officer level. No further significant governance issues had been identified for disclosure in the Governance Statement.

The Internal Auditor Manager's Annual Report and Assurance Statement for 2014/15 had concluded that the Authority had a significant ongoing governance issue in relation to its information management arrangements, which should be disclosed in the Governance Statement. No other significant issues for disclosure had been identified.

No issues had been identified for disclosure in the Governance Statement following the Public Sector Internal Audit Standards (PSIAS) review.

Members considered the Annual Governance Statement, which had been drafted following the evaluation exercise.

It was proposed by Councillor Hughes and seconded by Councillor Whitaker:

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

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be carried.

Resolved:

That the draft Annual Governance Statement for 2014/15 (attached as Appendix B to the report) be approved for signing by the Leader of the Council, Chief Executive, Section 151 Officer and Monitoring Officer.

16 STATEMENT OF ACCOUNTS 2014/15

The Committee received the report of the Chief Officer (Resources) seeking Member approval for the 2014/15 audited accounts to allow the completion of financial reporting for last year.

The Accounts had been produced by 30th June 2015 and certified by the Section 151 Officer on that date. They had been made available for public inspection and had been externally audited. One adjustment relating to the revaluation of an asset had been

identified during the audit; this had no impact on the outturn position for the General Fund.

The Committee considered the adjusted and audited Accounts and noted the 'letter of representation', which was required by the Auditor in support of completing the audit, to be signed by the Section 151 Officer.

Richard Lee, Senior Manager, KPMG LLP (UK), guided Members through the Auditor's formal report, which was set out at Appendix A, and reported the key issues identified during the audit of financial statements.

It was reported that once the Accounts had been approved and the letter of representation forwarded, KPMG would issue their opinion on the Accounts and the VFM arrangements. The Audit would be concluded in due course and the audited Accounts published by 30th September.

It was proposed by Councillor Hughes and seconded by Councillor Whitaker:

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

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be carried.

Resolved:

- (1) That the report for 2014/15 issued by the Council's External Auditors be noted, together with the letter of representation to be signed by the Section 151 Officer.
- (2) That the audited Statement of Accounts for the financial year ended 31st March 2015 be approved and that the Accounts be signed and dated by the Chairman.

The Financial Services Manager left the meeting at this point.

17 LOCAL GOVERNMENT OMBUDSMAN - ANNUAL REVIEW 2014/15

The Committee received the report of the Chief Officer (Governance) to consider the Local Government Ombudsman's Annual Review Letter for the year ending 31st March 2015.

The Local Government Officer's Annual Review Letter for 2014/15 was appended to the report. A total of 22 complaints and enquiries had been received against the Council in 2014/15, compared to 19 received in 2013/14. Twenty-two decisions had been made in 2014/15, compared to 23 in 2013/14.

Members noted that two of the decisions related to complaints investigated in detail. One had been upheld. This compared to six detailed investigations in 2013/14, of which three had been upheld.

In the Annual Review of Local Government complaints, the Local Government Officer had noted that the general number of complaints referred to her remained the same.

Resolved:

That the report be noted.

18 ANNUAL REVIEW OF INTERNAL AUDIT'S COMPLIANCE WITH PROFESSIONAL STANDARDS

The Committee received the report of the Internal Audit Manager to advise Members of the outcome from a self-assessment review against Public Sector Internal Audit Standards (PSIAS) as a contribution to the annual review of Internal Audit effectiveness, and to seek endorsement for an updated Quality Assurance and Improvement Programme (QAIP).

An initial self-assessment had been carried out in 2014 against the 334 lines included in the PSIAS and the associated Local Government Application Note (LGAN), and identified 306 points where compliance had been achieved, or was not applicable. Non-compliance had been identified in two instances and partial compliance in 26 instances.

A further annual self-assessment had been undertaken in 2015 in accordance with the QAIP. Of the 334 lines in the PSIAS/LGAN, compliance had been achieved in 310 instances; non-compliance had been demonstrated in two instances and action was proposed in the next six months to address those matters; partial compliance was now demonstrated in 22 instances.

Members were updated on the areas assessed as falling short of full compliance in the previous review and a revised action plan to address them.

Officers felt that, from the information reported, Audit Committee could take reasonable assurance that Internal Audit was operating effectively, and reliance could be placed on its reports and work in considering the overall effectiveness of governance arrangements. No significant deviations from the standards or other issues regarding effectiveness had been identified, which would warrant disclosure in the Governance Statement.

In future, the annual statement on compliance with the PSIAS/LGAN and progress with associated action plans would be incorporated in the Internal Audit Manager's annual report to the June meeting of the Audit Committee. This action would bring practices in line with the standards set out in the PSIAS and LGAN.

With reference to the QAIP, the contents of the document endorsed by the Audit Committee on 17th September 2014 had not changed for the current year.

It was proposed by Councillor Sherlock and seconded by Councillor Whitaker:

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

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be carried.

Resolved:

- (1) That the Internal Audit Manager's conclusions from the self-assessment exercises be accepted as evidence that Internal Audit is operating effectively and the Committee can therefore place reliance on Internal Audit's reports and work when considering the overall effectiveness of the Council's governance arrangements.
- (2) That the Internal Audit Quality Assurance and Improvement Programme (QAIP) for 2015/16, presented at Appendix B to the report, be noted and endorsed.

19 INTERNAL AUDIT MONITORING REPORT

The Committee received the report of the Internal Audit Manager to advise of the latest monitoring position regarding the 2015/16 Internal Audit Plan, seek approval for proposed variations to the Plan and update Members on the results of recent audits.

A summary of the monitoring position as at 21st August 2015 was outlined to Members, showing an uncommitted resource of 322 days, which included general contingency of 40 days and the unallocated balance of the contingency investigation work of 17 days.

Members noted that the structure of the Internal Audit service was under review and that the outcome of the review and any implications for the Audit Committee, in terms of the reliance it could place on Internal Audit, would be reported to the Committee.

The proposed Plan was based on a reduction of 95 days across all work headings, with the exception of Non-Audit Duties and Audit Management. The proposals included the application of half of the General Contingency (20 days). The proposed reduction in the main programme of Assurance Audit work amounted to 55 days (15%) against the original plan of 360 days.

The quarterly rolling programme for 2015/16 of Internal Audit work as at 1st September 2015 and the list of potential areas for audit coverage during the forthcoming third quarter, which had been developed through consultation meetings with Chief Officers, were reported. The list and timing of the work would be subject to the development of detailed scoping exercises.

The key conclusions and action points in relation to Internal Audit Work to 21st August 2015, where a "Limited" or "Minimal" assurance opinion had been given, were outlined to Members.

It was reported that the issues arising from an internal investigation surrounding budget management on one of the Council's capital schemes would be reported to the Committee.

A mini review of arrangements for cash collection within Happy Mount Park had concluded that arrangements were generally sound and cost-effective, and minor improvements had been identified to help strengthen systems and procedures.

It was proposed by Councillor Thomas and seconded by Councillor Whitaker:

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

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be carried.

Resolved:

- (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 proposed rolling programme of Internal Audit work attached as Appendix B be noted.
- (4) That the results of recent audit activity (sections 3 – 7 of the report) be noted.

Chairman

(The meeting ended at 6.55 p.m.)

**Any queries regarding these Minutes, please contact
Jane Glenton, Democratic Services - telephone 01524 582068, or email
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