

AUDIT COMMITTEE

6.00 P.M.

20TH JANUARY 2016

PRESENT: Councillors Matt Mann (Chairman), George Askew, Colin Hartley (substitute for Brendan Hughes), Malcolm Thomas, David Whitaker, Anne Whitehead and Nicholas Wilkinson

Apologies for Absence:

Councillor Brendan Hughes

Officers in Attendance:

Nadine Muschamp	Chief Officer (Resources) and Section 151 Officer
Derek Whiteway	Internal Audit and Assurance Manager
Andrew Taylor	Corporate Fraud Manager
Jane Glenton	Democratic Support Officer

Also in Attendance:

Richard Lee	Senior Manager, KPMG LLP (UK) (for Minute Nos. 24 (part) to 26 only)
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20 APPOINTMENT OF VICE-CHAIRMAN

The Chairman advised that at the meeting of full Council on 21 October 2015, it had been resolved that Councillor Sykes, Vice-Chairman of Audit Committee for the 2015/16 municipal year, be replaced on the Audit Committee. Nominations for the position of Vice-Chairman of the Audit Committee for the remainder of the municipal year 2015/16 were therefore requested from members of the Committee who were not members of Cabinet or Overview and Scrutiny.

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

“That Councillor Askew be appointed Vice-Chairman of the Audit Committee for the remainder of the municipal year 2015/16.”

There being no further nominations, the Chairman declared the proposal to be carried.

Resolved:

That Councillor Askew be appointed Vice-Chairman of the Audit Committee for the remainder of the municipal year 2015/16.

21 MINUTES

The Minutes of the meeting held on 16th September 2015 were signed by the Chairman as a correct record.

22 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN

There were no items of urgent business.

23 DECLARATIONS OF INTEREST

There were no declarations of interest.

MATTERS FOR DECISION

The Chairman advised that, with the agreement of the Committee, the agenda had been re-ordered to allow the External Auditor to join the meeting.

Richard Lee, Senior Manager with KPMG LLP (UK), arrived during consideration of the following item.

24 CORPORATE ANTI-FRAUD UPDATE

The Committee received the report of the Internal Audit and Assurance Manager to provide Members with an update regarding the Council's approach to combatting fraud and corruption in the context of the latest national reports and to seek Members' comments on and support for the Council's strategy and the arrangements that are being developed.

It was reported that the Committee had supported proposals for the creation of a Corporate Fraud Team at its meeting on 21st January 2015. The shared Corporate Fraud Team, working in collaboration with Preston City Council and Fylde Borough Council, had started operating on 1st June 2015. The Internal Audit and Assurance Manager agreed to provide Members with further information regarding the costs of establishing and operating the shared Corporate Fraud Team.

Members were advised that two national fraud reports had been received by the Council, which were based on the submissions made by English local authorities in a national Fraud Survey. The reports had been developed by the Audit Commission and were being managed by The European Institute for Combatting Corruption And Fraud (TEICCAF) following the Commission's closure. The summary and recommendations from the *Protecting the English Public Purse 2015* report were attached as Appendix A and the *Fraud Briefing 2015* report was attached as Appendix B to the report.

It was reported that the Council had a legal duty to protect the public funds it administered and to take measures to prevent and detect fraud by sharing information with other bodies responsible for administering and auditing public funds, via the National Fraud Initiative (NFI). The Council was required to submit data to the NFI on a regular basis and to inform individuals that their data would be processed by publishing a fair processing notice. The Chief Officer (Resources) had nominated the Internal Audit and Assurance Manager and the Principal Auditor as key contacts for the Council.

The 2014/15 mainstream NFI exercise and the 2015/16 data matching exercise for Council Tax Single Person Discount (SPD) Fraud were currently underway. Monitoring, as at 22nd December 2015, showed that the Authority had processed over 90% of matches in the main 2014/15 exercise and was currently processing 72 of the 726 SPD matches, which had been available from 3rd December 2015.

The Corporate Fraud Manager was present at the meeting, and gave a detailed presentation on the work of the Corporate Fraud Team, including an update on the results achieved so far and how the work was being developed, and answered questions from Members. The Chairman thanked the Corporate Fraud Manager for his presentation.

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

“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 clearly carried.

Resolved:

- (1) That the report be noted.
- (2) That the approach to developing the Council’s corporate anti-fraud arrangements and strategy be endorsed.

25 INTERNAL AUDIT MONITORING REPORT

The Committee received the report of the Internal Audit and Assurance Manager to advise Members 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 detailed monitoring report was attached as Appendix A to the report, based on the monitoring position up to 31st December 2015. 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 31st December 2015 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 reductions in audit plan allocations were being proposed to reflect post vacancies and proposals being made regarding future internal audit needs and staffing. The programme of audits for the rest of the year continued to be developed in consultation with senior management.

Following presentation of the report, Members of the Committee had the opportunity to raise questions on the report, which were answered by the Internal Audit and Assurance Manager.

With regard to 14/0941 – Fuel Cards, the Internal Audit and Assurance Manager agreed to provide Members with further information regarding the value for money obtained from the Council’s arrangements for purchasing and storing vehicle fuel.

A briefing note on the future provision of assurance and internal audit was circulated to Members at the meeting and considered alongside the report. The briefing note outlined

the organisational changes, which were directly impacting the management of internal audit, including the establishment of the shared Corporate Fraud Team and the extended Information Governance function, and advised of the review, which had been undertaken.

Members were asked to forward any questions they may have on the briefing note to the Chief Officer (Resources) and the Internal Audit and Assurance Manager.

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

“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 clearly 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, be approved.
- (3) That the proposed rolling programme of Internal Audit work, attached as Appendix B to the report, be noted.
- (4) That the results of recent audit activity (section 3 of the report) be noted.

26 EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2014/15

The Committee received KPMG's Annual Audit Letter summarising the results of their 2014/15 audit of Lancaster City Council (the Authority), which covered the Authority's 2014/15 financial statements and the 2014/15 Value for Money (VFM) conclusion.

Richard Lee, Senior Manager - KPMG LLP (UK), advised that, on 21st September 2015, KPMG had issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM) for 2014/15 and an unqualified opinion on the Authority's financial statements.

The External Auditors had concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and believed that the financial statements gave a true and fair view of the financial position of the Authority and of its expenditure and income for the 2014/15 financial year.

Members had the opportunity to raise questions on the Annual Audit Letter, which were answered by the External Auditor.

Resolved:

That the Annual Audit Letter be noted.

Chairman

(The meeting ended at 7.35 p.m.)

**Any queries regarding these Minutes, please contact
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