

AUDIT COMMITTEE

6.00 P.M.

18TH JANUARY 2017

PRESENT:- Councillors Abbott Bryning (Chairman), Ian Clift, Colin Hartley, Malcolm Thomas, David Whitaker and Nicholas Wilkinson

Apologies for Absence

Councillor Elizabeth Scott

Officers in attendance:-

Nadine Muschamp	Chief Officer (Resources) and Section 151 Officer
Derek Whiteway	Internal Audit and Assurance Manager
Sarah Moorghen	Democratic Support Officer

Also in attendance:-

Richard Lee	Senior Manager, KPMG LLP (UK)
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23 APPOINTMENT OF VICE-CHAIRMAN

The Chairman advised that at the meeting of full Council on 14th December 2016, it had been resolved that Councillor Abbott Bryning, Vice-Chairman of Audit Committee for the 2016/17 municipal year, be made Chairman following the resignation of Councillor Matt Mann. Nominations for the position of Vice-Chairman of the Audit Committee for the remainder of the municipal year 2016/17 were therefore requested from members of the Committee who were not members of Cabinet or Overview and Scrutiny.

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

“That Councillor Hartley be appointed Vice-Chairman of the Audit Committee for the remainder of the municipal year 2016/17.”

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

Resolved:

That Councillor Hartley be appointed Vice-Chairman of the Audit Committee for the remainder of the municipal year 2016/17.

24 MINUTES

The Minutes of the meeting held on the 14th September 2016 were signed by the Chairman as a correct record.

25 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN

There were no items of urgent business.

26 DECLARATIONS OF INTEREST

There were no declarations of interest.

27 EXTERNAL AUDITOR'S GRANT CERTIFICATION REPORT 2015/16

Richard Lee, Senior Manager, KPMG LLP (UK), the Authority's external auditors, presented the annual report for the certification work undertaken in 2015/16.

It was reported that certification work had been carried out on two claims/returns, to give assurance on a sound return.

Both the *Housing Benefit Subsidiary claim* and the *Pooling of Housing Capital Receipts* return had been certified as unqualified without amendment.

Members discussed the External Auditors Grant Certification Report 2015/16 and noted that the City Council should be very pleased with the outcome of the report.

Resolved:

That the External Auditors Certification of Claims and Returns – Annual Report 2015/16 be accepted.

28 EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2015/16

The Committee received KPMG's Annual Audit Letter summarising the results of their 2015/16 audit of Lancaster City Council (the Authority), which covered the Authority's 2015/16 financial statements and the 2015/16 Value for Money (VFM) conclusion.

Richard Lee, Senior Manager - KPMG LLP (UK), advised that, on 30th September 2016, KPMG had issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM) for 2015/16 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 2015/16 financial year.

Members had the opportunity to raise questions on the Annual Audit Letter, which were answered by the External Auditor. Mr Lee reported to the committee that the high quality of working papers and evidence provided by Financial Services had contributed greatly to the efficient conduct of the audit. Members expressed their appreciation of this statement and agreed that this should be duly noted by the authority.

Resolved:

That the Annual Audit Letter be noted.

29 INTERNAL AUDIT CHARTER

The Internal Audit and Assurance Manager presented a report that sought approval for a revised Internal Audit Charter.

Members were advised that the current Internal Audit Charter was approved by the Committee at its meeting on the 22nd January 2014. In accordance with existing Internal Audit Standards the Code was reviewed annually.

A review of the Charter during 2016 had identified that a number of alterations were required to the document.

Any substantive changes being proposed were highlighted in the draft Internal Audit Charter which was attached as Appendix A of the report.

Members asked a number of question relating to the Internal Audit Charter.

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

“That the recommendations set out in the report be approved, subject to an amendment to paragraph 6.3 to include “at least quarterly” with regard to the regularity of meetings between the Internal Audit and Assurance Manager and the Chief Executive.”

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 revised Internal Audit Charter (Appendix A to the report) be approved subject to an amendment to paragraph 6.3 to include “at least quarterly” with regard to the regularity of meetings between the Internal Audit and Assurance Manager and the Chief Executive.

30 INTERNAL AUDIT MONITORING

The Internal Audit and Assurance Manager presented the Internal Audit Monitoring Report to advise Members of the latest monitoring position regarding the 2016/17 Internal Audit Plan, seek approval for proposed variations to the Plan and update Members on the results of recent audits.

Members were advised that the 2016/17 Internal Audit Plan had been approved by the Committee at its meeting on the 29th June 2016 with a number of variations approved at its meeting on the 24th September 2016.

A summary of the monitoring position up to 19th December 2016 and a detailed monitoring report up to that date was set out in Appendix A of the report.

The monitoring position took account of ongoing and planned work commitments. This showed that overall, current commitments totalled 565 days compared with the currently approved plan of 575 days which gave an uncommitted resource of 10 days. This equated to the unused balance of the general contingency of 10 days.

As reported to the September 2016 meeting of the Committee, internal audit staff resources had been diverted, between March and September 2016 to cover both the management and day-to-day operations of the Council’s corporate information management functions. Adjustments to the Plan approved by Committee at that meeting

had identified a shortfall in resources in the Plan of 40 days. That position had been maintained in the intervening period with resources available from the current staffing for the remainder of the year being 149 days.

Members were advised that the proposals incorporated a reduction in time spent on follow-up reviews (5 days), corporate risk management (10 days), support work (5 days) and the transfer of 10 days from the general contingency. Arrangements were in hand to secure additional resources to provide the additional 40 days required to complete the Plan. This had been built in to the revised budget for 2016/17 and would therefore be met from within existing budgets. The proposals therefore sought to maintain the main programme of Assurance Audit work.

The report also covered audit work and reports issued since the last report to Committee on the 14th September 2016. Members were informed that summary reports had been issued to Members for consideration and were also posted on the Council's Intranet.

The Committee was advised that a limited assurance opinion had been given following two follow-up reviews. These related to audit reports on stores and safeguarding adults. Very good and good progress had been made respectively on both audit reports. Whilst the level of assurance which could be provided remained limited, revised target implementation dates early in 2017 had been agreed to take into account work in progress, which once complete should result in substantial assurance being provided. It was agreed that updates would be given to the Committee at its next meeting and if the assurance level remained "Limited" the Committee would invite the respective service managers to future meetings.

Members asked a number of questions relating to the Internal Audit Monitoring Report and the 2016/17 Internal Audit Plan.

It was proposed by Councillor Wilkinson 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:

- (1) That the current monitoring position be noted.
- (2) That the proposed revisions to the Audit Plan, as set out in the table in §1.2, be approved.
- (3) That the results of recent audit activity, set out in sections 2 - 3 of the report be noted.

With the agreement of the Chairman Item 8 (Arrangements for the Appointment of the External Auditor) was moved to the end of the agenda.

Richard Lee, Senior Manager, KPMG LLP (UK) left the room at this point and did not participate in item 8.

31 ARRANGEMENTS FOR THE APPOINTMENT OF THE EXTERNAL AUDITOR

The Chief Officer (Resources) presented a report which sought the Committee's recommendation regarding for proposals to secure the future appointment of an external auditor for the Council and asked that the Committee recommend the proposals for approval by Full Council.

Members were advised that following the abolition of the Audit Commission new arrangements were needed for the appointment of external auditors to local authorities. The Local Audit and Accountability Act 2014 required authorities' to either opt in to an "appointing person regime" or to establish an auditor panel and conduct their own procurement exercise.

In accordance with the Local Audit and Accountability Act 2014 the Council was required to make a decision on its preferred arrangements for appointing an external auditor of the audit 2018/19 accounts onwards.

The preferred option being recommended was to sign up to the service available via the sector-led body Public Sector Audit Appointments.

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

"That the recommendations as 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 Audit Committee recommends to Full Council that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

Chairman

(The meeting ended at 6.45 p.m.)

**Any queries regarding these Minutes, please contact
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