

## AUDIT COMMITTEE

6.10 P.M.

23RD MAY 2018

**PRESENT:-** Councillors Abbott Bryning (Chairman), Nathan Burns, Colin Hartley, Malcolm Thomas and Nicholas Wilkinson

Apologies for Absence

Councillor Stuart Bateson and Oscar Thynne

Officers in attendance:-

Nadine Muschamp	Chief Officer (Resources) and Section 151 Officer
Joanne Billington	Internal Audit & Assurance Manager
Andrew Taylor	Corporate Fraud Manager
Sarah Moorghen	Democratic Support Officer

### 1 APPOINTMENT OF VICE-CHAIRMAN

The Chairman requested nominations for the position of Vice-Chairman of the Audit Committee for the municipal year 2018/19.

It was proposed;

“That Councillor Colin Hartley be appointed Vice-Chairman of the Audit Committee for the municipal year 2018/19”.

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

***Resolved:***

That Councillor Colin Hartley be appointed Vice-Chairman of the Audit Committee for the municipal year 2018/19.

### 2 MINUTES

The minutes of the meeting held on the 21<sup>st</sup> February 2018 were signed by the Chairman as a correct record.

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

There were no items of urgent business.

### 4 DECLARATIONS OF INTEREST

There were no declarations of interest.

**WITH THE AGREEMENT OF THE COMMITTEE THE CHAIRMAN BROUGHT FORWARD  
ITEM 8 COUNTER FRAUD ANNUAL REPORT 2017 - 18 TO ALLOW THE COUNTER FRAUD  
MANAGER TO LEAVE THE MEETING AFTER THE CONCLUSION OF THIS ITEM**

**5 COUNTER FRAUD ANNUAL REPORT 2017 - 18**

The Counter Fraud Manager presented the Counter Fraud Annual Report 2017 – 18 to inform the Committee of the extent and outcome of counter fraud work during the 2017/18 financial year.

It was reported that Local Authorities had a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. There was also a duty to have effective controls and procedures in place to prevent, detect and investigate fraud and error in Council Tax Support, Council Tax and Business Rates.

From 1<sup>st</sup> June 2015 the City Council had been part of a shared Corporate Fraud Team alongside Preston City Council and Fylde Borough Council.

The report detailed performance and counter fraud activity undertaken by the Fraud Team during 2017/18.

Members asked a number of questions regarding the methodology used to identify counter fraud performance, the breakdown of the cost of the shared service, the shared services resources and penalties for those found guilty of fraud.

***Resolved:***

That the report be noted.

**6 PUBLIC SECTOR INTERNAL AUDIT STANDARDS - PEER REVIEW**

The Internal Audit and Assurance Manager (IAAM) presented the Committee a report following the peer review completed by Allerdale and Burnley Borough Council's in January 2018 on compliance to the Public Sector Internal Audit Standards (PSIAS). The PSIAS were introduced in 2013 and require Internal Audit to carry out an annual self-assessment on their compliance with the standards, which also require an external assessment every five years.

The IAAM took Members through the report and concluded that although it was a very positive report, the assessment team had made four recommendations that they felt required attention. The recommendations have been presented to Management Team and a final action plan has been developed.

One of the recommendations referred to the requirement for the Committee to complete an annual self-assessment of their own effectiveness. Members asked a number of questions about the self-assessment, in particular what did actual effectiveness and a successful committee look like and around the timings of when the Committee would conduct the review, given the forthcoming elections in 2019?

Members also asked a question in relation to the Council's Risk Management Policy and Strategy.

***Resolved:***

(1) That the report be noted.

- (2) That the IAAM provide the Committee at its November meeting, a report on the requirements of the review of the audit committee's effectiveness, which will include some guidance on how the Committee will be able to demonstrate its success and effectiveness. This to form the starting point for the review of the Committee's effectiveness with the substantive part of the review to be held in the next municipal year following the 2019 Elections.

## **7 INTERNAL AUDIT ANNUAL REPORT 2017 - 18**

The Internal Audit and Assurance Manager (IAAM) presented the Internal Audit Annual Report for 2017-18 to inform the Committee of the extent and outcome of internal audit work during the year and to present an annual overall opinion regarding the Council's internal control, risk management and governance framework.

It was reported that the work of internal audit sought to provide assurance to the Council as to the appropriateness and effectiveness of its internal control, risk management and corporate governance arrangements. The IAAM reported that during the 2017/18 financial year, internal audits work had gained the necessary assurances to be able to state that the Council had in place satisfactory controls to be able to maintain an adequate and effective internal control environment. However, it was noted that the IAAM had stated that both risk management and the Council's readiness for the General Data Protection Regulations (GDPR) should be reported in the Council's Annual Governance Statement for the year 2017/18 as areas requiring significant attention.

Members asked a number of questions in relation to GDPR penalties, where the IAAM was up to in relation to the appointment of the shared Audit and Finance Apprentice, minuting of the Committees consideration of individual audit reviews and inviting auditees to Committee meetings. Members also asked about the detail in the audit reports and the time taken to transition from limited to substantial assurances.

### ***Resolved:***

- (1) That the report be noted.
- (2) That the IAAM Internal Audit Annual Report be accepted by the Committee in relation to the Annual Governance Statement (AGS), which is to be reconsidered by the Committee at the July 2018 meeting alongside the Statement of Accounts.
- (3) That a standard item be added onto future Audit Committee agendas for the consideration of audit reports carried out between Committee meetings and on agreement of the Committee to invite auditees to attend and discuss their reports at the meeting.

## **8 ANNUAL GOVERNANCE STATEMENT 2017 - 18**

The Internal Audit and Assurance Manager (IAAM) presented a report on the Annual Governance Statement for 2017/18 which once approved by the Committee would be included in the Annual Statement of Accounts in July 2018.

Members were advised that in accordance with the Accounts and Audit Regulations 2015, the Council was required to prepare an AGS, which was published alongside the

Statement of Accounts.

The IAAM took the Committee through the AGS and explained how this year the statement had been pulled together following a workshop with key officers who had specific governance responsibilities. The IAAM highlighted the significant governance issues and explained that an action plan will be formulated to ensure the significant issues are addressed. The IAAM also stated that a number of minor issues had been raised, and again these will be populated into an action plan. Both action plans will be monitored by internal audit, with progress being reported to Management Team on a quarterly basis.

Members asked a number of questions in relation to the AGS including exemptions from publication.

***Resolved:***

That the Annual Governance Statement (AGS) for 2017/18 be recommended for adoption and for signing by the Chief Executive and the Leader of the Council.

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Chairman

(The meeting ended at 7.55 p.m.)

**Any queries regarding these Minutes, please contact  
Sarah Moorghen, Democratic Services - telephone 01524 582132, or email  
smoorghen@lancaster.gov.uk**