

## AUDIT COMMITTEE

6.10 P.M.

19TH FEBRUARY 2020

**PRESENT:-** Councillors Paul Stubbins (Chair), Geoff Knight (Vice-Chair), Alan Biddulph, Abbott Bryning, Jason Firth, Oliver Robinson and Malcolm Thomas

Officers in attendance:

Joanne Billington	Internal Audit and Assurance Manager (IAAM)
Paul Thompson	Chief Financial Officer (Head of Finance / Section 151 Officer) CFO
Dawn Allen	Principal Auditor
Andrew Taylor	Corporate Fraud Manager
Eric Marsden	Democratic Support Officer

Also in attendance:

Paul Hewitson	Director, Deloitte LLP
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### 29 MINUTES

The minutes of the meeting held on the 27<sup>th</sup> November 2019 were signed by the Chair as a correct record.

### 30 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIR

There were no items of urgent business.

### 31 DECLARATIONS OF INTEREST

There were no declarations of interest.

### 32 AUDIT COMMITTEE TERMS OF REFERENCE

The Committee received the report of the IAAM that the Audit Committee's Terms of Reference (TOR) be accepted and referred to Full Council for approval.

The IAAM noted that the additions to the TOR agreed at the meeting of 20<sup>th</sup> February 2019 appeared to have been mistakenly added to the previous TOR, rather than the refreshed version of the TOR, which had been adopted at that meeting.

***Resolved:***

That the Terms of Reference be accepted and adopted and referred to Full Council for approval.

### 33 INTERNAL AUDIT CHARTER

The IAAM presented a report which sought approval for the annual review of the Internal Audit Charter.

It was reported that the document was unchanged save for the deletion of the Fraud

Response Plan at item 7.6 (page 15); the reason for deletion to be discussed at item 35 below.

***Resolved:***

That the revised Internal Audit Charter be agreed.

**34 INTERNAL AUDIT STRATEGY AND RISK BASED PLAN 2020/21**

The IAAM presented a report which sought the Committee's approval for the proposed Internal Audit Strategy and Risk Based Plan for 2020/21.

A copy of the draft Audit Plan for 2020/21 was presented to the Committee, with it being noted that this was still a working document, and that an additional column had been added to indicate how each item of work would link to the Risk Register, the MTFs, or the Corporate Plan.

The Committee asked a number of questions relating to the scope of the audit plan, its achievability, and if sufficient resources were available. The IAAM advised the Committee that due to the additional work completed around assurance mapping, the audit plan had been streamlined. The IAAM advised the Committee that the audit plan was achievable within the resources allocated, however any unexpected identification of risks or investigations would change that and additional resources may be required.

In response to a question from the Committee regarding the specific risks around the Council making investments, particularly in property, and the pressure for quick decisions, the CFO informed the Committee that whilst any purchasing would be done as swiftly as possible, the process to be followed would in no way lack for rigour or oversight.

***Resolved:***

- (1) That the Internal Audit Strategy and Risk Based Plan for 2020/21 be approved.
- (2) That the Audit Committee approve the appointment of Lancashire County Council Internal Audit Services for the delivery of up to 50 audit days to assist with the delivery of the 2020/21 Audit Plan.
- (3) That the Audit Committee note that the current arrangements with Wyre Council will continue on a yearly rolling contract for a further three years in relation to the post of the Internal Audit and Assurance Manager (IAAM).

**35 REVIEW OF THE COUNCIL'S COUNTER FRAUD POLICIES**

The Corporate Fraud Manager presented the review of the Counter Fraud Policies, and informed the Committee that the Fraud Response Plan had now been deleted, after it had been found that it contained significant duplication with the Anti-Fraud, Bribery and Corruption Policy.

In answer to a Committee question regarding anti-money laundering, the IAAM agreed to check who was the Council's nominated Money Laundering Officer and if they had received any training.

Councillor Stubbins tabled an amendment to the Raising Concerns (formerly "Whistleblowing") Policy, which would insert into section 6.10 (page 47 of the agenda) the following text:

*"and in accordance with the Terms of Reference will also inform the Chair of the Audit Committee."*

**Resolved:**

- (1) That the Audit Committee approve the refreshed counter fraud policies, namely:
  - Anti-Fraud, Bribery and Corruption Policy; and
  - Raising Concerns Policy (formally Whistleblowing Policy) subject to the following amendment at section 6.10 *"and in accordance with the Terms of Reference will also inform the Chair of the Audit Committee."*
- (2) The Audit Committee note the Sanctions Policy, previously approved by Cabinet.
- (3) The Audit Committee note the deletion of the Fraud Response Plan.

**Councillor Oliver Robinson arrived to attend the meeting (6:50 p.m.).**

## 36 STRATEGIC RISK MANAGEMENT

The IAAM gave a verbal update to the Committee on progress achieved in embedding risk management and circulated the council's strategic risk register. Seven strategic risks had been identified, and graded by colour: red, amber, and green. Six were currently amber, with one red. With risk managers expected to produce action plans in response to what had been identified so far, it was anticipated there would be some movement of the strategic risks into the green areas by the next Committee meeting (in June).

The IAAM informed the Committee that the council had now purchased risk management software (GRACE), removing the need for spreadsheets and that the Risk Management Policy approved by the Committee in November 2019 would now need to be revised to reflect this.

The next stage is to agree and roll out training at an operational level to assist with the implementation of operational risk registers.

The Committee thanked the IAAM and the Principal Auditor for the progress made and requested that risk management and the review of strategic risks be added as a standing item at each Committee meeting.

**Resolved:**

- (1) That the Council's strategic risk register be noted.
- (2) An update on Strategic Risk Management to be included as a standing item in future agendas.

**37 CONSULTATION ON SCALE OF AUDIT FEES FOR 2020/21**

The CFO gave a verbal update on the external audit fee for 2020/21, noting that it was determined by the Public Sector Audit Appointments' (PSAA) national auditor appointment scheme, the body who also appoint the external auditors to the Council. Fees are set in advance, and the basic fee for 2019-20 had actually been less than the previous year, though additional fees should be expected in cases where the auditor had to perform additional work. Should the two parties be unable to agree on the amount of any additional fee, it was believed the PSAA would act as arbiters.

The Committee was informed that the reporting requirements for auditors was likely to increase in 2020/21, with changes to codes of practice and audit standards, particularly in relation to Value For Money arrangements, and the new requirement that they provide a commentary on findings, rather than merely conclusions. In response to a question, the CFO noted that whilst there would be some additional work required regarding how leases would be reported, this was not expected to be unduly large.

***Resolved:***

That the report be noted.

**38 STATEMENT OF ACCOUNTS 2019/20**

The CFO reported that the Statement of Accounts 2019-20 had now been audited, were materially correct, and were ready to be signed off. They were not in a position to be signed off however, due to a dispute with the External Auditor over the amount of the additional fee. The consequences if the Statement of Accounts was not signed off imminently were a risk in meeting the deadlines for completing the 2020-21 accounts, along with an impact on the resources required in the Finance team.

The Committee expressed their surprise and disappointment that the Statement of Accounts were not yet signed off, and raised questions such as whether the additional fee could be discussed and agreed at a later stage; was the additional fee justified; and what steps could be taken to resolve this satisfactorily.

The CFO reported that a figure for the additional fee had been received, but without any itemisation of additional work undertaken. Whilst some additional work by the External Auditors had certainly been required, this additional fee was beyond what had been anticipated. Arbitration by the PSAA between the two parties was a possible way of resolving this.

In response to the Committee, the External Auditor reported that given the amount and specialised additional work they had needed to undertake, the additional fee was indeed justified. However, given the size of the additional fee, and the difficulties they had experienced with other clients, the request that the Council agree to honour a figure approximating to it before the Statement of Accounts were finally signed off, was a reasonable approach for them to take.

***Resolved:***

- (1) That the report be noted.
- (2) Further discussions between the CFO and the External Auditor to be undertaken.

**The Officers present, except for the Internal Audit and Assurance Manager and the Principal Auditor, left the room at this point.**

**39 PERIODIC PRIVATE DISCUSSION WITH THE INTERNAL AUDIT AND ASSURANCE MANAGER**

The Audit Committee were provided with the opportunity to speak to the Internal Audit and Assurance Manager in confidence.

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Chair

(The meeting ended at 7.30 p.m.)

**Any queries regarding these Minutes, please contact  
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emarsden@lancaster.gov.uk**