

AUDIT COMMITTEE

6.10 P.M.

25TH NOVEMBER 2020

PRESENT:- Councillors Paul Stubbins (Chair), Geoff Knight (Vice-Chair), Stephe Barber, Abbott Bryning and Oliver Robinson

Apologies for Absence:

David Whitworth

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
Amy Holland	Information Governance Manager
Helen McMahon	Procurement Manager
Stephen Metcalfe	Principal Democratic Support Officer
Eric Marsden	Democratic Support Officer

Also in attendance:

Paul Hewitson Deloitte LLP

16 MINUTES

The minutes of the meeting held on 27th August 2020 were agreed as a true record, and would be signed by the Chair at a later date.

17 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIR

There were no items of urgent business.

COUNCILLOR GEOFF KNIGHT JOINED THE MEETING AT 6:15 P.M.

18 DECLARATIONS OF INTEREST

There were no declarations of interest.

19 ANNUAL REVIEW OF THE REGULATION OF INVESTIGATORY POWERS ACT 2020 (RIPA) POLICY AND PROCEDURE (INC. APPENDIXES A, B & C)

The Information Governance Manager submitted a report updating the committee on the outcome of the Investigatory Powers Commissioner's Office (IPCO) inspection; changes to the authority's RIPA policy and procedure in response to that inspection; and reviewing the authority's use of RIPA since it was last considered and approved by the Audit Committee on 27th November 2019. A regular review and update of the RIPA policy was necessary to ensure it supported the Council's officers and protected the rights of the public when surveillance was carried out.

It was proposed by Councillor Geoff Knight and seconded by Councillor Stephie Barber:

“That the recommendations as set out in the report be approved”.

It was agreed by all, and the Chair declared the proposal to be carried.

Resolved:

That the revisions to the Regulation of Investigatory Powers Act 2000 (RIPA) policy as set out in the report be approved, and the outcome of the IPCO inspection, and the lack of authorisations issued by the Council under RIPA since 2014, both be noted.

20 REVISION OF CONTRACT PROCEDURE RULES

The CFO presented a report which, once approved by the Committee, would revise the Contract Procedure Rules in order that they fit the Council’s Management structure, synchronise with the changes to the Constitution (of 2019), and assist in the achievement of the Council’s ambitions to deliver environmental, local wealth-building, and economic benefits to the district.

The CFO informed the Committee he wished to record his thanks to Helen McMahon, Procurement Manager, who had undertaken the majority of the work on the Contract Procedure Rules (first adopted in January 2013). In response to questions from the Committee, it was confirmed that the revisions would certainly assist in the procurement process; that Senior Officers and Members had been consulted on the proposed revisions; and that procurement staff regularly assisted suppliers to register upon the corporate supply portal, and subsequently submit tenders through it.

It was proposed by Councillor Stephie Barber and seconded by Councillor Geoff Knight:

“That the recommendations as set out in the report be approved”.

It was agreed by all, and the Chair declared the proposal to be carried.

Resolved:

That the revisions to the corporate Contract Procedure Rules as set out in the report be approved.

21 INTERNAL AUDIT MONITORING REPORT

The IAAM presented a report advising the Committee of the latest monitoring positions of both the 2020/21 Internal Audit plan and the implementation of the Annual Governance Statement (AGS) action plan for 2019/20.

The Committee were reminded that redeployment during the Covid19 pandemic had caused the original 2020/21 internal audit plan to be revised (approved at the 27th August 2020 meeting). A priority piece of work (HR assurance) had then been identified that required extensive work during September and October, and from which an action plan with 35 recommendations had been issued. This had been judged to be sensitive in nature, and consequently had received limited circulation only, including the Chief Executive, the Section 151 Officer, the Monitoring Officer, the External Auditor, and the

Chair of the Audit Committee.

The IAAM confirmed to the Committee that the issues identified would be closely monitored and a follow-up review would be completed after the new year. Given the nature and seriousness of some of the issues in the report, and its restricted circulation, the Chair requested that the IAAM provide an update and assurance to him personally of ownership and acceptance of the action plan, and that he be advised of the timescales for completion of the action plan, within the next 7 days. The Chair stated that he would advise the Committee if he was not satisfied with the assurance he received.

Following the above additional work, it was noted that there were now only 4 months remaining to pursue the 2020/21 internal audit plan. Consequently, the work areas of Psychological safety / staff wellbeing, and Property Investment Strategy, would now be moved into the 2021/22 plan if still required. The intention was still to roll out risk management training and implementation of operational risk registers, and have them up and running before April, possibly utilising e-learning resources. Progress had also been made in the implementation of some of the actions in the AGS action plan for 2019/20, although some areas of work had been delayed due to the on-going pandemic.

Resolved:

- (1) That the latest monitoring position in relation to the 2020/21 audit plan be noted.
- (2) That the latest progress in relation to the AGS action plan for 2019/20 be noted.
- (3) The IAAM to update the Chair regarding the HR assurance report, specifically the acceptance, ownership and timescales for implementation of the action plan within 7 days of this meeting.

THE MEETING ADJOURNED AT 6:50 P.M. TO REVIEW THE AMENDED RISK REGISTER THAT HAD BEEN CIRCULATED EARLIER THAT DAY, AND RECONVENED AT 6:55 P.M.

22 UPDATED STRATEGIC RISK REGISTER (Pages 7 - 12)

A revised version of the Strategic Risk Register was circulated to the Committee prior to meeting, replacing the version published with the agenda, and is attached as an Appendix (Strategic Risk Register at 25 November 2020) to these minutes.

The IAAM gave a verbal report to the Committee that progress had been delayed due to the Covid19 pandemic, but that the Executive Team had now taken ownership of the register and were to invite the Principal Auditor to future Executive meetings to carry out quarterly reviews. The register would be visible through publication of the Audit Committee agenda, and also available on the intranet. It was also explained that the Grace risk management software would be accessible to risk owners to review and amend content and that the software can produce more detailed reports if required. Members of the Committee were invited to be ambassadors of the strategic risk register, review the content on a regular basis and challenge any identified risks that are not being effectively mitigated.

Resolved:

That the Council's updated strategic risk register be noted.

23 STATEMENT OF ACCOUNTS 2019/20 PROGRESS REPORT

The CFO reported that the Statement of Accounts had been published on the Council website on 28th August 2020 and also circulated out to Councillors. Training for Councillors on general matters of local authority finances had been undertaken, with further bespoke training potentially available.

Following the Covid19 pandemic, the external auditors had on advice withdrawn from Lancaster Town Hall. The CFO and the external auditors had been in regular contact since, discussing how the audit could be progressed.

There were no significant matters to report to the Committee, though the CFO was aware of 2 objections that had been submitted to the external auditor by residents, both currently progressing through the appropriate procedure. The CFO informed the Committee that costs arising from the objections would be additional and not included within the external auditor fee, and thus have to be borne by the Council.

The CFO reported that an additional Audit Committee meeting may need to be scheduled – details about this would be circulated in due course.

Resolved:

That the report on the progress of the audit of the Statement of Accounts for the year ended 31st March 2020 and matters arising to date be noted.

24 EXTERNAL AUDIT PLAN: YEAR ENDING 31 MARCH 2020

The CFO reported that the external auditors, Deloitte, had provided an external audit plan for 2019-20.

The external auditor informed the Committee that 3 areas of significant risk had been identified:

- a) the valuation of properties;
- b) the cut-off of service line expenditure;
- c) management override of controls.

The valuation of pension liabilities was also being kept under review.

The Committee were informed that while the misstatement reporting threshold of £0.096m could be lowered if they wished, it would consequently increase the number and length of reports. Any misstatements above that threshold, or that were material in nature, would be brought to the attention of the Committee by the external auditor. Lancaster was also considered an outlier in terms of value for money for both Council Tax and Housing Benefits administration, and also Culture and Sport – these areas in particular would receive attention. Two objections had been received from residents, they were currently under review.

It was proposed by Councillor Geoff Knight and seconded by Councillor Paul Stubbins:

“That the recommendations as set out in the external audit plan be approved”.

It was agreed by all, and the Chair declared the proposal to be carried.

Resolved:

That the identified areas of significant risk be noted, and that the materiality threshold of £1.9m and the misstatement reporting threshold of £0.096m both be accepted as appropriate.

25 FRC MAJOR LOCAL AUDITS: AUDIT QUALITY LOCAL INSPECTION

The CFO presented the report from the Financial Reporting Council (FRC) into the quality of 12 major local audits (defined as having income or expenditure greater than £500m). Those reviewed included 9 local authorities and 3 NHS bodies.

Three areas identified in the report as key for external auditors to focus upon included: cut-off line expenditure; pension liabilities; and property valuations.

Resolved:

That the report be noted.

26 INDEPENDENT REVIEW INTO THE OVERSIGHT OF LOCAL AUDIT AND THE TRANSPARENCY OF LOCAL AUTHORITY FINANCIAL REPORTING (THE REDMOND REVIEW)

The CFO reported that the review (known as the Redmond Review) introduced a new audit regime and oversight body for the audits of local authorities.

The review had been wide ranging, with particular developments for the Committee to note including: an annual report to be presented to Full Council from the external auditor; the appointment of a qualified independent member to the Audit Committee; the recognition of internal audit as a support for external audit; and potential changes to the date of publication of audited accounts (possibly to 30th September).

Resolved:

That the report be noted.

27 ANNUAL REVIEW OF AUDIT COMMITTEE PERFORMANCE

The IAAM reported that the CIPFA Self Assessment had been completed with regard to the Audit Committee, with two areas identified as requiring further improvement:

- a) periodic report for 2019-20 to be completed and submitted to Full Council for approval;
- b) new Audit Committee members to receive training on the execution of their terms of reference.

It was confirmed that work on the periodic report was progressing. The Chair requested that any committee member who wished to contribute should contact himself and the IAAM. Additional training opportunities were also being considered.

It was proposed by Councillor Geoff Knight and seconded by Councillor Stephie Barber:

“That the recommendations as set out in the report be approved”.

It was agreed by all, and the Chair declared the proposal to be carried.

Resolved:

That the two areas identified for further improvement from the CIPFA Self-Assessment of Good Practice be approved.

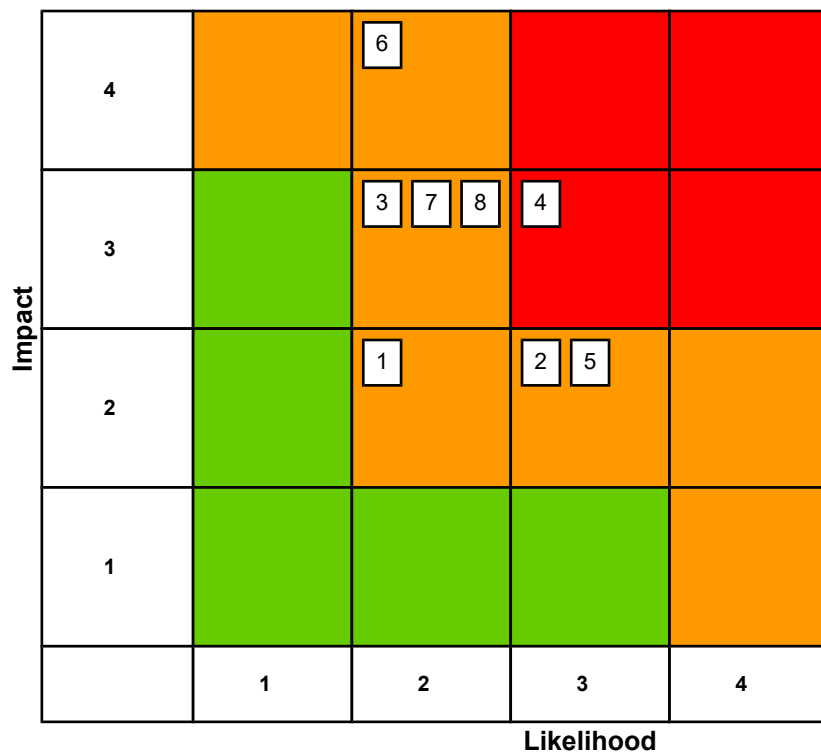
Chair

(The meeting ended at 7.52 p.m.)

**Any queries regarding these Minutes, please contact
Eric Marsden, Democratic Services - email emarsden@lancaster.gov.uk**

Actions Plans By Entity with Mitigating Actions

Entity: Strategic Risk Register, Risk Assessment open, Current Risk version, Risk is open



Risk	Risk Owner	Inherent Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan Description
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Strategic Risk Register

Items in Group: 8

Risk	Risk Owner	Inherent Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan Description
SR1 Central Government funding is insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability.	Sarah Davies (Corporate Director Corporate Services) Paul Thompson (Financial Services Manager)	9	Officer/Member Working Groups - Capital Strategy Group (CSG) and Financial Resilience Group (FRG)	4	Reduce	1	Review of existing budgets to identify areas for realignment/ refocusing or cessation to deliver efficiencies but ensuring that Services remain aligned with the Councils Priorities.
			Council Strategies - Funding the Future Strategy, Road to Ambition, Investment Strategy, Reserves Strategy and Medium Term Financial Strategy				Development of LATCO's or other alternative service delivery vehicles to deliver efficiencies and/ or operational surpluses which can be reinvested into Council Services.
							The Strategy contains 4 Pillars to achieve Financial Stability. 1) Investment to gain financial return; 2) Pursuing efficiencies with vigour; 3) Outcomes based resourcing; and 4) Commercialisation
							Strategic acquisitions of established investments to obtain rental or other income at a commercial rate of return. Multidiscipline Property Investment Team established to review and challenge investment opportunities ahead of review by Capital Strategy Group.
							A number of Lean Process Reviews are in progress to identify efficiencies within a number of core Council processes.

Risk	Risk Owner	Inherent Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan Description
SR2 The Council fails to meet the £2m 2021/22 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.	Sarah Davies (Corporate Director Corporate Services) Paul Thompson (Financial Services Manager)	9	Budget and Performance Panel	6	Reduce	2	Consisting of Executive Team to monitor delivery via monthly and quarterly reports and provide support and challenge to each project as required. Meeting Monthly. Several projects delayed due to COVID 19 – reporting now suspended for Projects & Performance (Finance Continues)
			Reserves Policy				Established to provide a central co-ordination point for all the Council's projects. Responsible for co-ordination and monitoring.
			Project Managers				Monitoring report linking Projects, Performance and Resources presented to Cabinet and Budget & Performance Panel. Several projects delayed due to COVID 19 – reporting now suspended for Projects & Performance (Finance Continues)
			Programme Managers				Project and Financial information present to Cabinet/ Portfolio providing an opportunity for review and discussion of performance. See above
			Programme Delivery Board				Outcome based resourcing exercise underway to identify revenue saving for 21/22 and beyond
			Cabinet				
			Portfolio Holder				

Risk	Risk Owner	Inherent Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan Description
SR3 The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver effective services, projects and council priorities. Outcome of Local Government re-organisation (Unitary Authority Proposal) may also have an adverse impact on recruitment/retention of key staff. *(this may form a new strategic risk once outcomes are known in March 2021)	Sarah Davies (Corporate Director Corporate Services)	12	Pay and Grading Structure in place	6	Accept	6	<p>The new pay and grading structure and job evaluation process will ensure that all posts are objectively evaluated and then placed on a new pay and grading scale.</p> <p>Recent experience suggests that this assisted in attracting applicants with the desired skills and values.</p> <p>The Council is progressing its approach to developing its existing workforce, via an apprentice programme and also via a reallocation / talent team, which has shown its effectiveness and potential during the pandemic.</p> <p>The Council also recognises that an further attraction to applicants are work/ life balance, wellbeing, attractive pension scheme, pool car scheme, cycle to work scheme, employee supportive policies, equality of opportunity etc. These are all in place and being developed further</p>
			Recruitment and Retention Policy				
			Annual Appraisal Process				
SR4 The use of council assets is not maximised leading to insufficient funding to meet the funding gap and deliver capital projects.	Executive Management Team, Iain Robertson (Head of Property, Investment and Regeneration), Paul Thompson (Financial Services Manager)	12	Capital Strategy Group	9	Reduce	6	Regular review of the Asset Management Plan to ensure performance parameters are being achieved.

Risk	Risk Owner	Inherent Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan Description
SR5 Council services are disrupted and / or additional services are required and costs are incurred as a result of national emergencies e.g. Covid pandemic and the potential of the unknown impacts following the UK's withdrawal from the EU.	Mark Davies (Corporate Director Communities and the Environment)	9	Lancashire Resilience Forum	6	Accept	6	The Council continues to adequately resource it's emergency planning function, including maintaining it's team of out of appropriately trained emergency response officers.
			Emergency plans				Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.
			Business Continuity Plans				The Council continues to invest in resilience measures eg technology to facilitate remote homeworking
			Government Planning				The Council continues to allocate resource to developing its key partnerships LRF, CSP and local resilience partners
							The Council supports community resilience through CEPGs and FLAG groups etc
SR6 The Council fails to reduce it's direct Co2 emissions to 'net zero' by 2030.	Mark Davies (Corporate Director Communities and the Environment)	16	Delivery plan in place	8	Accept	8	The Council continues to work on the delivery of its action plan
							The Council considers the recommendations of the Peoples Jury and builds recs that can be delivered directly by the Council into its plans
SR7 The Council fails to deliver its key priorities due to the lack of an underpinning strategy setting out expected delivery / outcomes.	Executive Management Team, Paul Thompson (Financial Services Manager)	9	Funding the future	6	Reduce	4	Prosperity Plan
			Carbon Zero +				Local Development Plan
			Medium Term Financial Strategy (MTFS)				Community Wealth Building Strategy.
			Programme Management				No Change for FtF Strategy
							Cabinet and Exec team are undertaking an extensive programme to develop the corporate planning, budgeting and performance management of the Council (Circles)

Risk	Risk Owner	Inherent Risk Score	Existing Control Measure Description	Residual Risk Score	Risk Response Category	Target Risk Level	Action Plan Description
SR8 The Council fails to deliver its key projects due to the lack of staffing capacity and resources (financial) within the Council.	Jason Syers (Director for Economic Growth and Regeneration)	9	Local Plan	6	Reduce	3	Local Plan
			Medium Term Financial Strategy (MTFS)				Funding the Future Strategy
			Investment Strategy				The Council continues to resource key service teams in Planning, economic development, regeneration, property investment
			Capital Programme				Adequate reserves are maintained to allow, due diligence of property investment, regeneration projects and key strategic
							Ensure capital programme is prioritised to facilitate match funding leverage and maximise the potential to attract exter