

## AUDIT COMMITTEE

6.10 P.M.

22ND MARCH 2023

**PRESENT:-** Councillors Paul Stubbins (Chair), Darren Clifford, Geoff Knight and David Whitaker

Apologies for Absence:

Councillors Peter Yates (Vice-Chair), Sally Maddocks and Jean Parr

Officers in attendance:

Paul Thompson	Chief Financial Officer (Head of Finance & Section 151 Officer)
Louise Cobain	Head of Internal Audit
Paula Fagan	Head of Technology Risk
Fiona Hill	Engagement Manager
Claire Dubelbeis	Programme Manager
Stephen Hargreaves	Projects and Security Manager
Phillip Abel	Democratic Support Officer
Claire Helme	Democratic Support Officer

Also in attendance:

Paul Hewitson	Deloitte LLP
Caroline Jaimeson	Deloitte LLP

### 29 MINUTES

The minutes of the meeting held on 23 November 2023 were signed by the Chair as a correct record

### 30 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIR- CYBER SECURITY CONTROLS REVIEW AGREEMENT REPORT 2022/23

In accordance with Section 100 (B) (4) of the Local Government Act 1972 the Chair had agreed with this item being considered as an item of urgent business. The reason for taking this item as urgent business is that the matter must be discussed prior to the next meeting of the Audit Committee.

#### **Exclusion of the press and public**

It was moved by Councillor Knight, seconded by Councillor Whitaker and resolved:-

That in accordance with Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business, on the grounds that it could involve the possible disclosure of exempt information as defined in paragraph 3 of Schedule 12A, of that Act.

Paula Fagan, Head of Technology Risk, then outlined the report on cybersecurity. A number of questions were asked by members on cybersecurity and whether or not Tik Tok might be a threat. Stephen Hargreaves (ICT) stated that Tik Tok was not on corporate devices and that the App had not been approved for employee use; Tik Tok is not, therefore, perceived as a threat to Council cybersecurity.

***Resolved:***

That the contents of the Cyber Security Controls Review-Assignment Report 2022/23 are noted.

**The press and public were re-admitted to the meeting.**

**31 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**32 REFRESHED RISK MANAGEMENT POLICY**

The Chief Executive submitted a report that updated the Committee on the progress made on centralising strategic and operational risk management and to approve the Council's refreshed Risk Management Policy. The Council's Internal Audit Team had undertaken a review of Risk Management, the findings of which were published in July 2022. As a result of the findings, an action plan was produced to implement the recommended improvements, progress to date was provided in the report. Also reported was the Risk Management Policy, which had been redrafted to incorporate a number of improvements.

Councillor Stubbins proposed some minor changes to the wording of the Risk Management Policy for clarity, which were agreed by the Committee.

- Section 5.1, the definition of Risk Management, to replace 'monitoring' with 'management', to mirror Section 7.1.
- Section 7.2, Second Risk Score-Residual Risk Score, to replace the words in the second line 'any controls in place' with 'all controls and treatments in place' as defined by the Corporate Finance Institute.

***Resolved:***

- (1) That the progress made in centralising strategic and operational risk management, undertaken in response to the Risk Management Review July 2022, be noted.
- (2) That subject to the above minor changes to the wording of Section 5.1 and 7.2 in the interests of clarity, the Risk Management Policy be approved.

**33 STRATEGIC RISK MANAGEMENT**

The Chief Executive submitted a report that provided the Committee with an update on the authority's progress in updating the Strategic Risk Register.

It was reported that the Committee had received a report on 23 November 2022 providing an update of the Strategic Risk Register. Members were asked to note Appendix A to the report with any comments to be considered and implemented as appropriate in the ongoing risk management process.

Councillor Stubbins advised that it would be beneficial for the Committee to view lower-level risk management plans that underly the Strategic Register, to support assurance of the process, and that this might best be done as a part of a training event for the new Audit Committee post May elections. This recommendation would be taken forward to the Chair of the Committee appointed in the new administration. It was further agreed that risk management training should be extended to Cabinet and to Scrutiny Committees, as well as an invitation being open to all members.

***Resolved:***

That the Strategic Risk Management report, and the comments made at the meeting, be noted.

**34 ANNUAL REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE**

The Head of Internal Audit presented a report on the Annual Review of the Audit Committee's Terms of Reference.

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

"That the Audit Committee's Terms of Reference be accepted and adopted and referred to Full Council for approval."

***Resolved:***

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

**35 ANNUAL REVIEW OF THE INTERNAL AUDIT CHARTER**

The Head of Internal Audit presented the Internal Audit Charter. It was reported that this is an annual document which establishes compliance with professional standards for Internal Audit.

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

"That the Internal Audit Charter be approved."

***Resolved:***

That the Internal Audit Charter be approved.

**36 INTERNAL AUDIT PLAN 2023/24**

The Head of Internal Audit presented a report on the Internal Audit Plan 2023/24 which explained the internal audit risk-based plan. There are some items not prioritised as the Eden Project has become a priority on the financial side.

It was proposed by Councillor Knight and seconded by Councillor Clifford:

“That the Internal Audit Plan be approved.”

***Resolved:***

That the Internal Audit Plan be approved.

**37 INTERNAL AUDIT PROGRESS REPORT**

The Head of Internal Audit advised members of the latest monitoring position regarding the Internal Audit Plans 2021/22 and 2022/23. The progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

***Resolved:***

That the latest monitoring position in relation to the 2021/22 and 2022/23 Internal Audit plans be noted.

**38 REVIEW OF MONEY LAUNDERING POLICIES**

The Chief Finance Officer reported on the Review of Money Laundering Policies. The policy was refreshed last year to reflect current legislation. Solicitors check annually for new legislation which this year has resulted in only one minor change regarding crypto assets. Members asked questions in relation to training and penalties for non-compliance with the legislation.

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

“That the proposed Anti-Money Laundering Policy be approved.”

***Resolved:***

That the proposed Anti-Money Laundering policy be approved.

**39 PROPOSED ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS USED IN THE PREPARATION OF THE STATEMENT OF ACCOUNTS 2022/23**

The Chief Finance Officer presented a report which set out the Council’s proposed accountability policies on critical judgements adopted in completing the 2022/23 Statement of Accounts. The Committee was advised that there had been no significant changes from the policies used to prepare the 2022/23 Statement of Accounts except one change with regard to infrastructure assets.

It was proposed by Councillor Clifford and seconded by Councillor Stubbins:

“That the recommendations as set out in the report on Proposed Accounting Policies and Critical Judgements be approved.”

**Resolved:**

- (1) That the Council's proposed accounting policies to be adopted in completing the 2022/23 Statement of Accounts, as set out in Appendix 1 of the report be approved.
- (2) That the critical judgements made by management when producing the Statement of Accounts, as set out in Appendix 2 of the report, be noted.

**40 STATEMENT OF ACCOUNTS UPDATE**

The Chief Finance Officer presented a report on the Statement of Accounts update.

The Committee was advised that the 2019/20 Accounts were substantially complete although the original objection is still delaying conclusion.

The External Auditor has now requested a significant amount to enable him to conclude both the 2019/20 and 2020/21 Statement of Accounts and advised that if there are no problems with any of the data still outstanding these should be processed within 3 weeks.

It was reported that work had not yet started on the 2021/22 audit but it was hoped that the work would be completed by the end of September 2023.

The deadline for publication of the 2022/23 draft Statement of Accounts is 31 May 2023, although given the significant delays to the prior year audits the s151 Officer proposed 30 June 2023 as a target date for publication. This would allow the Finance Team to respond to External Audit's queries, manage the 2022/23 closedown and production process whilst supporting the Council's other priority areas. It was noted that Paul Hewitson (Deloitte) had confirmed that a revised deadline for submission of the 2022/23 draft statement of accounts, that delayed this submission by a month or two, would have no impact on their work.

The Committee supported the s151 Officer's proposal.

**Resolved:**

That the statement of Accounts Update be noted.

**41 ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITOR**

The Chief Finance Officer confirmed that KPMG have been appointed as the Council's external auditor for the appointing period from 2023/24 to 2027/28 and the appointment will begin on 1<sup>st</sup> April 2023.

**Resolved:**

That the appointment of KPMG as the Council's external auditor for the appointing period from 2023/24 to 2027/28 be noted.

**Officers left the room as this point.**

**42 MEETING WITH EXTERNAL AUDITORS**

Audit Committee members were provided with an opportunity to speak to the External Audit Team in confidence.

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Chair

(The meeting ended at 8.05 p.m.)

**Any queries regarding these Minutes, please contact  
Democratic Services - email [democracy@lancaster.gov.uk](mailto:democracy@lancaster.gov.uk)**