

AUDIT COMMITTEE

6.00 P.M.

30TH JUNE 2009

PRESENT:- Councillors Janice Hanson (Chairman), Abbott Bryning, Roger Dennison, Tony Johnson and Keith Sowden

Also in Attendance:-

Councillor Stuart Langhorn (part)	
Tom Keena (part)	Audit Commission
Heather Garrett	KPMG
Kevin Wharton	KPMG

Apologies for Absence:-

Councillors Jon Barry and Geoff Knight

Officers in attendance:-

Mark Cullinan	Chief Executive
Roger Muckle	Corporate Director (Finance and Performance)
Nadine Muschamp	Head of Financial Services
Derek Whiteway	Internal Audit Manager
Andrew Clarke (part)	Accountancy Services Manager
Sharon Marsh	Democratic Support Officer

1 MINUTES

The Minutes of the meeting on the 22nd April 2009 were agreed and signed as a correct record.

2 APPOINTMENT OF VICE-CHAIRMAN

It was moved by Councillor Tony Johnson and seconded by Councillor Abbott Bryning: -

“That Councillor Keith Sowden be appointed Vice-Chairman of the Audit Committee for the Municipal Year.”

On being put to the vote, the Chairman declared the proposition unanimously carried.

Resolved:

That Councillor Keith Sowden be appointed Vice-Chairman of the Audit Committee for the Municipal Year.

3 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN

There was one item of urgent business as authorised by the Chairman, External Audit Plan and Fees 2009/10. It was agreed that this item should be taken after the Annual Governance Review 2008/09 (Minute 10 refers).

4 DECLARATIONS OF INTEREST

There were no declarations of interest.

5 ANNUAL AUDIT AND INSPECTION LETTER

Tom Keena from the Audit Commission presented the Annual Audit and Inspection Letter to the Committee and highlighted the main points of the letter.

Tom Keena reported that although the public satisfaction levels with the District as a place to live had risen to 80%, satisfaction levels with the City Council had fallen to 37%. It was noted that this was something that would be looked at under the new Place Survey.

It was also noted that the City Council's services were improving at a slightly faster rate than average. 61% of nationally-comparable indicators improved for Lancaster City Council during 2007/08, against a District Council average of 56-59%.

It was reported that the City Council's Benefits Service was a top performer and that the performance of recycling, street cleanliness, homelessness and planning (minor applications) services had all improved.

Members were informed that there was still work to be done in relation to reducing health inequalities across the District. It was noted that the health of the people in the District was generally average, but early deaths from cancer were reducing more slowly than average and that binge drinking was a significant problem.

It was also noted that the City Council's approach to equality and diversity remained underdeveloped.

Tom Keena reported that the overall assessment of the Audit Commission for use of resources was 3 out of 4. It was noted that the use of resources assessment would be more difficult next year, but that this was a good score.

It was noted that a new performance assessment framework, the Comprehensive Area Assessment (CAA) had been developed which would replace the Comprehensive Performance Assessment (CPA) that took place this year.

Resolved unanimously:-

That Tom Keena be thanked for his presentation and that the Annual Audit and Inspection letter be noted.

Tom Keena from the Audit Commission left the meeting at this point.

6 STATEMENT OF ACCOUNTS 2008/09

The Head of Financial Services introduced a report that sought Members' approval of the draft Statement of Accounts for 2008/09 and outlined the audit process for information.

Members were informed that 2008/09 had been a difficult year financially for the Council,

particularly in view of changing economic circumstances and the collapse of the Icelandic banking system.

It was reported that there had been a net underspend on the General Fund of £209k after allowing for additional net transfers to provisions and reserves, amounting to £650k. However, it was noted that a number of budget carry forward requests were expected from services which would reduce the General Fund underspend if granted.

The Head of Financial Services reported that recent guidance on the expected recovery rates for the Icelandic investments showed that 100% was expected back from Glitnir, 95% from Landsbanki and 50% from KSF. These recovery rates for Glitnir and Landsbanki were higher because the Council had been given preferential creditor status, however, this status was still subject to change.

Members discussed the potential recovery of overpaid VAT paid on various cultural activities between 1977/78 and 1996/97. It was noted that the total net value was estimated at around £600k but that this was subject to change following review by Her Majesty's Revenue and Customs. It was anticipated that the outcome of the claims would be known in the 2009/10 financial year. Any money that was recovered would go into the revenue account.

It was proposed by Councillor Roger Dennison and seconded by Councillor Keith Sowden that:-

"That the draft Statement of Accounts for the financial year ended 31 March 2009 be approved, and that the Chairman sign and date the Accounts accordingly."

Resolved unanimously:-

That the draft Statement of Accounts for the financial year ended 31 March 2009 be approved, and that the Chairman sign and date the Accounts accordingly.

The Accountancy Services Manager left the meeting at this point.

7 EXTERNAL AUDITORS REVIEW OF INTERNAL AUDIT

The Internal Audit Manager introduced a report to inform the Committee of, and seek its views on, the results of a review of the Council's Internal Audit function, carried out by the external auditors, KPMG, as part of the 2007/08 audit.

It was noted that KPMG had reported that 7 out of the 11 assessment areas for Internal Audit had met the standard and the remaining 4 had partially met the standard. A number of recommendations had been put forward to ensure that the remaining 4 were brought up to the standard required.

One recommendation made by KPMG had been regarded as a high priority. This was the dual role that the Internal Audit Manager undertook when operating as the Deputy S151 Officer. It was noted that this could create a conflict of interest which should be acknowledged. It was reported that this was addressed in the 2009/10 Internal Audit Strategy and Business Plan.

It was proposed by Councillor Roger Dennison and seconded by Councillor Abbott

Bryning:-

- “(1) That the Committee accepts the external auditor’s report and the action plan devised in response to the recommendations made.
- (2) That the Internal Audit Manager should report to a future meeting of the Committee on the progress made with implementing agreed actions.”

Resolved unanimously:-

- (1) That the Committee accepts the external auditor’s report and the action plan devised in response to the recommendations made.
- (2) That the Internal Audit Manager should report to a future meeting of the Committee on the progress made with implementing agreed actions.

Councillor Stuart Langhorn left the meeting at this point.

8 INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2008/09

The Internal Audit Manager introduced a report that informed the Committee of the extent and outcome of Internal Audit work during the 2008/09 financial year and to present an annual Statement of Assurance regarding the Council’s Internal Control Framework.

It was noted that the Internal Audit Manager had been heavily involved in the Fair Pay Project which accounted for the large variance in planned days and actual days for non Audit duties.

It was reported that customer satisfaction with Internal Audit work had improved upon the previous years figures with only 2 areas falling below the target. These were questions relating to the risk management outcomes from the Audits concerned.

It was noted that, at the most recent review, 1 audit had provided a substantial assurance level, 28 audits had provided a reasonable assurance level, 8 audits had provided a limited assurance level and no audits had provided a minimal assurance level.

It was proposed by Councillor Roger Dennison and seconded by Councillor Keith Sowden that:-

- (1) That the report be noted.
- (2) That the Controls Assurance Statement be accepted.

Resolved unanimously:-

- (1) That the report be noted.
- (2) That the Controls Assurance Statement be accepted.

9 ANNUAL GOVERNANCE REVIEW 2008/09

The Internal Audit Manager introduced a report that sought the Committee's approval for the draft Annual Governance Statement for the 2008/09 financial year.

It was noted that the draft Annual Governance Statement had been drawn up following a review of the Council's framework by a Management Group comprising the Corporate Director (Finance and Performance), the Head of Financial Services (s151 Officer), the Head of Legal and HR (Monitoring Officer) and the Internal Audit Manager.

It was reported that the system used a scoring system of between 1 and 9, with the acceptable level being 7. It was noted that the overall picture was one of gradual improvement.

Actions relating to identified "Significant Governance Issues" had already been acknowledged and incorporated into the Council's Corporate Plan and individual Services' Business Plans.

Members discussed the Annual Governance Review in detail and raised concerns regarding the low results in some areas. Partnership working was also considered in relation to training for Councillors and Member Development.

It was proposed by Councillor Abbott Bryning and seconded by Councillor Tony Johnson:-

"That the Council Business Committee considers establishing partnership working in relation to Member development."

It was proposed by Councillor Roger Dennison and seconded by Councillor Keith Sowden:-

"That the draft Annual Governance Statement for 2008/09 be approved for signing by the Leader of the Council, Chief Executive, Section 151 Officer and Monitoring Officer."

Resolved unanimously:-

- (1) That the Council Business Committee be requested to consider establishing partnership working in relation to the Member Development Programme.
- (2) That the draft Annual Governance Statement for 2008/09 be approved for signing by the Leader of the Council, Chief Executive, Section 151 Officer and Monitoring Officer.

10 INTERNAL AUDIT STRATEGIC AND ANNUAL PLANS 2009/10

The Internal Audit Manager presented a report that sought the Committee's approval for a proposed three-year Internal Audit Strategic Plan and Annual Operational Plan for 2009/10.

It was noted that the Strategy fulfilled the requirement in Standard 7 of the 2006 CIPFA

Code of Practice to have an Audit Strategy and that the strategy was the high level statement of how the Internal Audit Service would be delivered and developed in accordance with its approved terms of reference and how it linked to the Council's organisational objectives and priorities.

It was proposed by Councillor Roger Dennison and seconded by Councillor Keith Sowden:-

“(1) That the Internal Audit Strategic and Business Plan for 2009/10 to 2011/12 be approved.

(2) That the Internal Audit Annual Operational Plan for 2009/10 be approved.”

Resolved unanimously:-

(1) That the Internal Audit Strategic and Business Plan for 2009/10 to 2011/12 be approved.

(2) That the Internal Audit Annual Operational Plan for 2009/10 be approved.

11 EXTERNAL AUDIT PLAN AND FEES 2009/10

Kevin Wharton from KPMG External Auditors introduced the item of urgent business, the External Audit Plan and Fees 2009/10, to the Committee.

It was noted that, overall, the planned fee for 2009/10 had reduced by £4000 from the previous year. It was reported that the average fee for a District Council was £130,333 and that the fee for Lancaster City Council was 7.9% below this total; this was within the tolerances set by the Audit Commission.

Resolved unanimously:-

That KPMG be thanked for their presentation and that the External Audit Plan and related fees for 2009/10 be noted.

Councillor Tony Johnson left the meeting at this point.

12 AUDIT COMMITTEE TRAINING PROGRAMME

The Internal Audit Manager presented a report that sought Members' views on training needs in the role and operation of the Audit Committee and options for delivery during the coming year.

Members discussed in detail whether they wished to receive training on the roles and responsibilities of the Audit Committee during the current Municipal Year and in what format they would prefer to receive such training.

It was noted that much of the training Audit Committee Members and Substitutes required could be delivered internally and that the City Council's external auditors, KPMG were also willing to aid in training delivery.

It was agreed that it would be appropriate for much of the training to take place before

meetings where those specific topics were to be discussed to avoid any scheduling problems.

Resolved unanimously:-

- (1) That the Council Business Committee be requested to incorporate Audit Committee training into the City Council's Member Training Programme.
- (2) That the timetabling of the Audit Committee meeting be looked at with a view to increasing the number of Audit Committee meetings to 6 in a Municipal Year.

Chairman

(The meeting ended at 8.29 p.m.)

**Any queries regarding these Minutes, please contact
Sharon Marsh, Democratic Services - telephone (01524) 582096 or email
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