

## AUDIT COMMITTEE

6.00 P.M.

20TH JANUARY 2010

**PRESENT:-** Councillors Janice Hanson (Chairman), Keith Sowden (Vice-Chairman), Jon Barry, Abbott Bryning, Roger Dennison, Tony Johnson and Geoff Knight

Also in attendance:-

Kevin Wharton	KPMG
Heather Garrett	KPMG

Officers in attendance:-

Nadine Muschamp	Head of Financial Services
Derek Whiteway	Internal Audit Manager
Graham Cox	Head of Property Services (part)
Debbie Chambers	Principal Democratic Support Officer
Tom Silvani	Democratic Support Officer

### 21 MINUTES

The minutes of the meeting on 23 September 2009 were agreed and signed as a correct record.

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

There were no items of urgent business.

### 23 DECLARATIONS OF INTEREST

There were no declarations of interest.

### 24 ANNUAL AUDIT LETTER

Heather Garrett of KPMG presented the Annual Audit Letter to the Committee to summarise the key issues arising from their 2008/09 audit at Lancaster City Council, all Councillor's were invited to attend for this item.

The committee was informed that there were two key areas to which KPMG wished to draw attention. Firstly, the use of resources assessment had demonstrated that the Council had sound processes in place in two of the three themes (managing finances, governing the business and managing resources). The Council's arrangements in relation to the managing resources theme and the workforce planning key line of enquiry were assessed as inadequate.

Secondly, KPMG had identified no significant issues during the course of the financial statements audit and had issued an unqualified audit opinion on the Council's financial statements in 2008/09. KPMG's value for money conclusion was not qualified but on the basis of the weaknesses identified in relation to workforce planning an 'except for' opinion was issued.

The committee was informed that from 2010/11 local government bodies were required to prepare their financial statements under International Financial Reporting Standards (IFRS) and that the Council needed to be preparing for this transition.

It was also reported that Local Authorities in the Carbon Reduction scheme were required to start reporting their usage from 1 April 2010 and recording these transactions within their financial statements with effect from 1 April 2011. Lancaster City Council was currently below the threshold for inclusion in the scheme and as such it was not a legal requirement for the Council to participate.

**Resolved:**

- (1) That the Chief Executive be asked to make arrangements for officers to respond on all three Key Lines of Enquiry (KLOE) themes in the 2008/9 External Auditors report, as referred to in Audit Committee minute no. 20.

**25 RESPECTIVE ROLES AND REMIT OF AUDIT COMMITTEE AND BUDGET & PERFORMANCE PANEL**

The Internal Audit Manager gave a detailed presentation to the group on the respective roles and remit of Audit Committee and Budget and Performance Panel.

The committee asked questions relating to the presentation and discussed the overlap in the remits of Audit Committee and Budget and Performance Panel. The representatives from KPMG advised that these issues were common to many councils but that the important factor was how the two groups integrated to ensure that no issues were overlooked.

The Chairman thanked the Internal Audit Manager for the presentation.

**26 AUDIT COMMITTEE STATEMENT OF PURPOSE**

The Internal Audit Manager presented a report to the Committee which sought members' approval for a statement of purpose for the committee.

The group were advised that the Audit Committee's terms of reference included at §8.20 *"To approve a Statement of Purpose for the Audit Committee"*. Whilst the terms of reference set out the specific responsibilities of the committee, an overall statement of purpose had not yet been adopted.

Members discussed the suggested statement included in the report which had been based on a recommendation included in *"Audit Committees – Practical Guidance for Local Authorities"* (CIPFA, 2005). The statement had been modified in order to be more relevant to Lancaster City Council.

**Resolved:**

- (1) That Audit Committee approve the suggested statement of purpose as proposed in the report:

*"The audit committee's purpose is to oversee and, independently of the Executive and Overview and Scrutiny function, provide the council with*

*assurance of the adequacy of, its corporate governance arrangements including the risk management framework and the associated control environment. The committee reviews the authority's exposure to and management of risk across all financial and non-financial activity, and oversees the financial reporting process."*

## 27 RESULTS OF INTERNAL AUDIT WORK

The Internal Audit Manager presented a report to inform the committee of the results of Internal Audit work and provided an update on levels of assurance issued for areas audited since they were last considered by the Committee on 23 September 2009.

Appendix A to the report contained an updated position for all those audits where the level of assurance provided had not yet reached 'reasonable'. The group were informed that following a suggestion at the last meeting of the committee figures had been included in the appendix to show how many times each issue had been reported to Audit Committee. The committee discussed each of these audits in detail.

Members were informed that the Head of Property Services and the Head of Financial Services has been asked to attend the meeting to report on the latest position regarding the Internal Audit Report for 'Markets' to enable the committee to consider the relevant positions.

The Internal Audit Manager advised that the current assurance level for markets had remained at limited, and that until such time as the situation regarding invoicing and cash collection arrangements had been resolved a reasonable level of assurance could not be given.

It was reported that there were concerns with implementing the council's policy to move away from cash payments with regards to markets. The Head of Financial Services and the Head of Property Services both advised the committee on this issue.

Members queried the costs of collecting cash payments from the three markets and were informed that it was in the region of £5000. The committee discussed the possibility of offering a monetary incentive to those traders willing to move away from cash payments, or the possibility of requiring those traders continuing to pay by cash to absorb the administrative costs of collection.

The Chairman thanked the Head of Property Services for attending the meeting.

### **Resolved:**

- (1) That the report be noted.
- (2) That Audit Committee request the Head of Council Housing Services to attend the next meeting of the committee to provide a further update and assurance on 'Income Management (Housing Rents Direct Debit Payments)'.
- (3) That if the assurance level for 'Salt Ayre Sports Centre' has not been raised to 'reasonable' at the next update, the Head of Cultural Services be asked to attend the next Audit Committee meeting to report on the position.
- (4) That if the assurance level for 'Procurement and Contract Management' has not

reached 'reasonable' by the time of the internal audit follow up review, the Head of Financial Services be asked to attend the next meeting of the committee to report on the position.

- (5) That, in relation to the 'Land Charges' report, should the exercise to establish the cost of providing the local search service not be completed by 31 March 2010, a more detailed report be requested from the Head of Legal and HR.
- (6) That Audit Committee request a progress report on both the Payroll/HR system project, and the review of the recruitment policy and procedures, to be presented to the next committee meeting and the Human Resources Manager be invited to attend to present the report.
- (7) That, if the assurance level for 'Planning for Floods' has not reached 'reasonable' by the time of the internal audit follow-up review, Audit Committee should seek a further report and assurances from the Head of Planning Services.
- (8) That Audit Committee wishes to increase the amount of non cash payments in the Charter Market, the Festival market and the Assembly Rooms, and that a report be presented to the next Audit Committee as to the progress on this policy and the areas in which it can be applied.

***The Head of Property Services left the meeting at this point.***

## **28 PARTNERSHIP WORKING**

The Principal Auditor presented a report to inform Audit Committee on the work undertaken by Internal Audit to develop effective performance management and governance arrangements in partnership working and the evaluation of key partnerships.

The Principal Auditor reported that he had taken a lead role in developing performance management and governance arrangements relating to partnership working. Between July and September 2008 the Principal Auditor had conducted a 'mapping' exercise to assess each partnership the council was involved in and determine the level of significance which each held to the council in achieving corporate objectives and priorities.

It was reported that the exercise had identified 59 partnerships which fitted the council's definition (from an original list of 128), of which 23 were scored as being of 'major' significance to the council, 21 as 'moderate' and 15 with a 'limited' significance. The project team had then developed a work programme aimed at evaluating eight of the council's 'major' partnerships during 2009/10 using a *Partnership Development and Evaluation Toolkit*. Currently, two of the eight partnerships had completed their evaluations using the toolkit, with three currently underway, one yet to start and two having been withdrawn. The evaluations were due to be delivered by March 2010.

### ***Resolved:***

- (1) That the report be noted.
- (2) That the Principal Auditor be asked to present a further report to the Committee regarding the progress of the work relating to the performance management and

governance of the Council's partnerships.

## 29 INTERNAL AUDIT MONITORING

The Internal Audit Manager presented a report to advise members of the latest monitoring position regarding the 2009/10 Internal Audit Plan.

The report asked members to note the current monitoring position and to approve the proposed adjustments to the Internal Audit Plan as set out in paragraph 2.9 of the report.

Members were informed that a major investigation, which had been completed in November 2009, had taken a few more days than anticipated when reported to the Committee in September. It was anticipated that a report on this issue would be finalised in the next few weeks.

### ***Resolved:***

- (1) That the current monitoring position be noted.
- (2) That the proposed adjustments to the Internal Audit Plan, as set out in paragraph 2.9 of the report, be approved.

## 30 LENGTH OF MEETINGS

The Principal Democratic Support Officer presented a report to advise the Committee of a Member request that consideration be given to introducing limits on the length of meetings held without breaks for Members and Officers.

The committee was informed that over the past year there had been a number of instances where decision making meetings had lasted for an extended period of time. A member had expressed concern over the pressure this placed on both those members present and the officers supporting the meeting.

Members considered possible changes to Council Procedure Rule 10.

### ***Resolved:***

- (1) That the committee recommend that Council Business Committee consider amending the Council Procedure Rule 10 in the Constitution to read as follows:

#### *Council Procedure Rule 10*

##### ***10.1 Interruption of the Meeting***

*The meeting shall adjourn after periods of 2 and 4 hours for breaks of 10 and 30 minutes respectively, save that the Chairman, at his/her discretion, may waive the adjournment if it is likely that the business can be finished shortly.*

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Chairman

(The meeting ended at 8.32 p.m.)

**Any queries regarding these Minutes, please contact  
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