

AUDIT COMMITTEE

6.00 P.M.

22ND SEPTEMBER 2010

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

Apologies for Absence

Councillors Malcolm Thomas (Chairman) and Keith Sowden

Also in attendance:-

Heather Garrett	KPMG
Steve Clark	KPMG

Officers in attendance:-

Nadine Muschamp	Head of Financial Services and Section 151 Officer
Derek Whiteway	Internal Audit Manager
Amanda Robinson	Senior Auditor
Tom Silvani	Democratic Services

11 MINUTES

The minutes of the meeting on 30 June 2010 were agreed and signed as a correct record.

12 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN

There were no items of urgent business.

13 DECLARATIONS OF INTEREST

There were no declarations of interest.

14 STATEMENT OF ACCOUNTS 2009/10

The Head of Financial Services presented a report that updated members on the outcome of the audit of the Statement of Accounts for 2010/11.

Members were advised that Kevin Wharton of KPMG was retiring, and as such would no longer be attending Audit Committee. The Vice-Chairman thanked Kevin on behalf of the committee, and welcomed Steve Clark who would be attending Audit Committee meetings in the future.

Steve Clark reported that the audit had gone very well and it was anticipated that an 'unqualified opinion' would be issued. A few minor presentational adjustments had been made to the accounts since they were presented to the committee in June, but they did not have any impact on the Council's overall financial position or its balances.

Members were reminded that the 'Use of Resources' assessment arrangements had been abolished, but that a substantial amount of work had already been undertaken on this in relation to 2009/10, and that this information had been used to inform KPMG's VFM conclusion.

Heather Garrett of KPMG informed the committee that the accounts production was strong and required no adjustments and that this was due to good management.

The committee was informed that KPMG had assessed the council's valuation assumptions for the Icelandic bank investments for appropriateness in light of CIPFA's latest available guidance. They were satisfied that appropriate provisions were in place in relation to Icelandic investments, and that they were happy with the council's progress with implementing the recommendations raised in 2008/09.

The committee were informed that authorities were required to report under IFRS for the first time in 2010/11, and the 2009/10 financial statements would need to be converted to IFRS for comparative purposes.

Members were advised that there had been significant movements in the council's pension liabilities. This was largely due to a change in assumptions used by the actuary to estimate the liabilities and also the performance of the capital markets affecting the pension assets. It was noted that this was consistent with other pension funds around the country.

The committee were reminded that KPMG had raised a number of recommendations in 2008/09. These mainly related to use of resources and the Icelandic banks. KPMG were satisfied that all of the recommendations had either been implemented or were going through ongoing implementation.

The committee discussed the external auditors' recommendations, and it was noted that workforce planning was still a priority one issue. Heather Garret advised that the council had made significant progress in addressing its issues in respect of workforce planning. There was now a clearer link between strategic plans and workforce planning, as well as planning for any future gaps in skills. Workforce planning had remained a priority one issue because some arrangements were in early stages, and work was still ongoing.

Resolved:

- (1) That the committee notes the report for 2009/10 issued by the Council's External Auditors and the letter of representation signed by the Section 151 Officer.

Steve Clark of KPMG left the meeting at this point

15 INTERNAL AUDIT MONITORING

The Internal Audit Manager presented a report to advise members of the latest monitoring position regarding the 2010/11 Internal Audit Plan.

The report asked members to note the current monitoring position and to endorse the strategy relating to internal audit staffing and the assessment of future audit needs, as set out in paragraphs 2.3 to 2.6 of the report.

Members were reminded that the Principal Auditor had left the section for a position elsewhere in the council, it was felt that the post should be filled and the internal audit section maintained at full establishment. Following a thorough assessment by the Internal Audit Manager in consultation with the Head of Financial Services and the HR Manager, Management Team had approved the following:

- (a) That approval be given to recruit to the post of Principal Auditor on a permanent basis, subject to the vacancy being ring fenced for the two Senior Auditor postholders; and
- (b) That any resulting vacancy be held for the time being, subject to clarifying the council's audit requirements in the long term.

The committee were informed that Amanda Robinson had now been appointed as the councils Principal Auditor and that a full internal audit needs assessment would be carried out over the next few months. The Internal Audit Manager introduced Amanda to the members of the committee.

It was advised that at the current time there was scope to manage the plan and no remedial measures were required.

The committee discussed the service's new staffing arrangements in detail.

Resolved:

- (1) That the current monitoring position be noted.
- (2) That the strategy relating to internal audit staffing and the assessment of future audit needs, as set out in paragraphs 2.2 to 2.3 of the report, be endorsed.

16 RESULTS OF INTERNAL AUDIT WORK

The Internal Audit Manager presented a report to inform the committee of the results of internal audit work for the period and provided an update on the levels of assurance issued for areas audited since they were last considered by the committee on 30 June 2010.

Appendix A to the report provided an updated position on all those audits where the level of assurance had not yet reached 'reasonable'.

The committee were advised that in accordance with resolution passed at the previous meeting of the committee on 30 June 2010, the Internal Audit Manager had tracked progress with systems implementations relating to the audit report on 'Income Management (Housing Rents Direct Debit Payments)'. It was advised that a two stage software upgrade had been required, the first stage had now been completed, and this would allow the second stage to be carried out in the near future, It was anticipated that this would allow the direct debit system to be implemented.

The Head of Financial Services provided an update on the audit report on 'Procurement and Contract Management'. It was advised that the revised Procurement Strategy had now been approved, and the contract procedure rules were in the process of being reviewed to reflect the new strategy.

The committee discussed the progress made in regards to procurement, it was advised that while the assurance opinion was currently limited, progress was being made and actions were currently underway to achieve a reasonable level of assurance in the future. Members agreed that they were happy with the progress being made regarding procurement, but would like a further report on contract management. The Internal Audit Manager advised that a review of contract management arrangements corporately was due to begin soon and this would deal with the issues outstanding from the earlier audit.

The committee discussed the audit report regarding 'Payroll', it was advised that initial project stages had been undertaken and procurement arrangements were underway with a view to a decision being made by 31 December 2010.

The Head of Financial Services provided an update on developments regarding the audit report on 'Markets'. It was reported that there had been ongoing technical problems with the chip and pin system, which were affecting other sites as well as the council's markets. The council was currently working with the provider to find a solution to the problem.

The committee were informed that internal audit follow-up review regarding 'RMS' would be reported to the committee in the usual way once it was completed. It was reported that the new Head of Health and Housing was overseeing this process.

Resolved:

- (1) That the report be noted.
- (2) That the Audit Committee request Internal Audit to track progress with regard to 'Income Management (Housing Rents Direct Debit Payments)' and report on progress to the committee.
- (3) That the Audit Committee request Internal Audit to track progress with relation to 'Contract Management' and that this be reported to a future meeting of the committee.
- (4) That the Internal Audit Manager continues to track progress with regard to the Payroll/HR system project and that this be reported to a future meeting of the committee.

17 ETHICAL GOVERNANCE SURVEY AND INTERNAL AUDIT

The Internal Audit Manager presented a report to inform and seek the views of the Committee on the results of a survey into Ethical Governance undertaken in October to December 2009.

The committee were advised that proposals to undertake a survey into ethical governance issues had been prompted by comments made by the external auditor in evaluating the council's Use of Resources for 2008/09.

The Ethical Governance Survey had been developed by Internal Audit in consultation

with the Monitoring Officer, Section 151 Officer and Head of Democratic Services and sought to ascertain the adequacy of the council's Ethical Governance Framework. 15 Members and 147 employees had completed and returned the survey.

Members were advised that the report was being submitted jointly to Audit Committee and Standards Committee (on 7 October 2010). Members of both committees were being asked to consider the results of the survey, the conclusions reached and the action plan which had been drawn up. Members were also asked to comment on the outcome of the survey, make suggestions for any alternative action they would like to see and to comment on the value of the exercise and whether any future repetition would be welcomed.

The committee considered the results of the survey and the action plan, and discussed both in detail. The committee discussed question 3 of the survey, 'Do you think that public perception of ethical standards within the council is good?' Members were concerned that there were occasions when letters from the public, or articles appeared in local newspapers that which could damage the public perception of the council. It was queried as to whether the council's communications team identified instances of negative public perception and responded to them, particularly on occasions when the negative perception was founded on incorrect information.

The Internal Audit Manager agreed to liaise with communications regarding the committee's queries relating to press rebuttals. Councillor Dennison agreed that he would report the committee's concerns to Standards Committee when they considered the report on 7 October 2010.

Resolved:

- 1) That the results of the ethical governance survey, the conclusions reached, and the action plan drawn up as a result of the internal audit report be noted.

Chairman

(The meeting ended at 7.25 p.m.)

**Any queries regarding these Minutes, please contact
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