

AUDIT COMMITTEE

6.00 P.M.

19TH SEPTEMBER 2012

PRESENT: Councillors Malcolm Thomas (Chairman), Jon Barry, Geoff Knight, Richard Newman-Thompson, Ian Pattison and Peter Williamson

Also in Attendance:

Steve Clark	Director of KPMG LLP
Richard Lee	Manager of KPMG LLP

Officers in Attendance:

Nadine Muschamp	Head of Resources and Section 151 Officer
Derek Whiteway	Internal Audit Manager
Rosebella Kotonya	Information Management Officer
Jane Glenton	Democratic Support Officer

1 APPOINTMENT OF VICE-CHAIRMAN

The Chairman requested nominations for the position of Vice-Chairman.

It was proposed by Councillor Barry and seconded by Councillor Ian Pattison:

“That Councillor Williamson be Vice-Chairman of the Audit Committee for the Municipal Year 2012/13.”

There were no further nominations and the Chairman declared Councillor Williamson to be nominated.

Resolved:

That Councillor Williamson be Vice-Chairman of the Audit Committee for the Municipal Year 2012/13.

2 MINUTES

The minutes of the meeting held on 18th April 2012 were signed by the Chairman as a correct record.

3 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN

There were no items of urgent business.

4 DECLARATIONS OF INTEREST

There were no declarations of interest.

5 STATEMENT OF ACCOUNTS 2011/12

Committee received the report of the Head of Resources seeking Member approval for the 2011/12 audited Statement of Accounts to allow the completion of financial reporting for the last year.

The Head of Resources explained to Committee that the draft Accounts attached as Appendix A to the report had been produced in accordance with the requirements of the

Accounts and Audit Regulations and had been externally and independently audited. No significant audit adjustments had been identified. A number of presentational changes had been agreed as a result of the audit. The final version of the Financial Statements had been amended accordingly, and the financial outturn had been reported to Cabinet and Budget & Performance Panel.

Members were advised that the audit opinion would be issued, following approval of the Accounts and the forwarding of a copy of the letter of representation signed by the Section 151 Officer. Conclusion of the audit would follow and the Accounts would be published by 30th September 2012.

Committee then received the report of KPMG LLP, the Authority's External Auditors. The outcome of the external audit was set out in the formal report attached as Appendix B to the report.

Steve Clark, Director of KPMG LLP, thanked the Head of Resources and staff for the high standard of the Accounts and supporting working papers, which had assisted the delivery of an effective and efficient audit.

Richard Lee, Manager of KPMG LLP, advised that no material issues had been identified during the course of the audit. KPMG had worked with officers throughout the municipal year to discuss specific risk areas and were satisfied that the Authority had appropriate arrangements in place to address them. The key risk areas identified were reported as follows:

- *Savings Plans* – the Authority had made significant savings following reductions in Local Government funding as a result of the Comprehensive Spending Review in 2010, and had robust procedures in place to deal with continued pressures;
- *Code Changes* – the 2011/12 Local Government Accounting Code of Practice included a new requirement to carry 'heritage assets' at valuation, which included the mayoral silver;
- *Future of Lancaster Market* – technical experts from KPMG's Department for Professional Practice had provided advice and the options had been appraised to ensure that the Authority's decision making was not ultra vires.

Committee was advised that reviews of the whole of the Government Accounts and any post balance sheet events would be undertaken following receipt of the signed letter of representation, and an unqualified audit opinion would be issued.

The Chairman thanked the Head of Resources, Steve Clark and Richard Lee of KPMG LLP, for their reports.

Members considered the details, and raised questions on the information reported, which were suitably answered.

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

"That the recommendations set out in the report be approved."

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be clearly carried.

Resolved:

1. That the report for 2011/12 issued by the Council's External Auditors and the letter of representation to be signed by the Section 151 Officer be noted.
2. That the audited Statement of Accounts for the financial year ended 31st March 2012 be approved, signed and dated by the Chairman of Audit Committee.

Councillor Newman-Thompson arrived midway through the following item.

6 LOCAL GOVERNMENT OMBUDSMAN - ANNUAL REVIEW 2011/12

Committee received the report of the Head of Governance highlighting particular matters in the Commission for Local Government Administration's published Annual Review Report for 2011/12 (Appendix B to the report) and the Local Government Ombudsman's Annual Review Letter (Appendix A to the report), and annual summary of statistics on complaints made about the Authority for the year ending 31st March 2012.

The Information Management Officer advised that, in 2011/12, the Ombudsmen had received 20,906 complaints and had issued 77 reports on complaints about councils, compared with 29 the previous year.

It was reported that the Local Government Ombudsman Advice Team had received 30 cases in connection with complaints against the Authority. Sixteen of these had been forwarded to the Investigation Team. Eight of the complaints had been sent directly to the Ombudsman without the Authority having had an opportunity to investigate.

Committee was advised that 5 of the 16 cases forwarded to the Investigation Team had not been investigated; in 3 of the 11 cases investigated, there had been insufficient evidence of maladministration; and in 4 cases, minor or no injustice had been found. In the remaining 4 cases, the injustice found had been resolved during the enquiry; one complaint had been resolved before completion of the investigation; and the other 3 had been resolved as a result of the investigation.

Members considered the details and raised questions on the information reported, which were suitably answered. A summary was requested of the 4 cases where injustice had been found.

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

- “(1) That the Ombudsman's Annual Review Letter for 2011/12 be noted.
- (2) That no feedback be submitted to the Ombudsman on the Annual Review Letter.
- (3) That a summary of the 4 cases where injustice had been found be supplied to Members.”

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be clearly carried.

Resolved:

- (1) That the Ombudsman's Annual Review Letter for 2011/12 be noted.
- (2) That no feedback be submitted to the Ombudsman on the Annual Review Letter.
- (3) That a summary of the 4 cases where injustice had been found be supplied to Members.

7 INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2011/12

Committee received the report of the Internal Audit Manager to inform the Committee of the extent and outcome of Internal Audit work during the 2011/12 financial year and to present an Annual Statement of Assurance regarding the Council's Internal Control Framework.

The Internal Audit Manager reported that completed audits had resulted in the production of a report and action plan, agreed by managers and submitted for the consideration of the Committee. The assurance system used 4 levels of opinion, namely *maximum*, *substantial*, *limited* and *minimal*.

The table in Appendix A to the report set out the assurance opinions issued from audits and follow-up reviews completed since 31st March 2011 and any subsequent changes in assurance level. The assurance statement was drawn from the results of individual internal audit assignments and the results of follow-up reviews into previously completed audits.

Of the 24 audits carried out in 2011/12, a *maximum* assurance opinion had been given in 7 instances, a *substantial* assurance opinion in 13 instances and a *limited* opinion had been given in 4. Members noted that Committee would receive updates on progress with those audits that had not reached at least substantial assurance level, these being the 4 audits whose assurance ratings were *limited*.

The Internal Audit Manager reported that, in his opinion, the internal audit work undertaken had not identified any issues of sufficient significance to warrant specific mention in the Annual Governance Statement. Where any control weaknesses had been identified, remedial action had been agreed. Arrangements were in place to monitor the implementation of those actions and the level of assurance provided.

It was proposed by Councillor Williamson and seconded by Councillor Pattison:

"That the recommendations set out in the report be approved."

Resolved:

- (1) That the report be noted.
- (2) That the Controls Assurance Statement be accepted and considered in relation to the Annual Governance Review and Annual Governance Statement.

8 REVIEW OF GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT 2011/12

Committee received the report of the Internal Audit Manager to inform the Committee of the extent and outcome of the annual review of governance arrangements for the 2011/12 financial year and to present an Annual Statement of Assurance regarding the Council's Governance and Internal Control Framework.

The Internal Audit Manager reported that a review had been undertaken of the Council's position and performance against the Code of Corporate Governance and expanded financial governance requirements. The results of the evaluation exercise were demonstrated in the Overview Charts and the Evaluation Report attached as Appendix A to the report. As in previous years, individual 'assurance statements' had been obtained from Service Heads in relation to internal control and governance, and significant matters raised in those statements had been included in the Governance Statement.

Members were informed that the number of factors in which there remained a perceived shortfall in performance had reduced from 11 to 9. There was no factor with a perceived shortfall of more than one point. Where a shortfall existed, comments and conclusions, and any plans to improve arrangements during 2012/13 and beyond, were included in the evaluation on the current position. A review of the characteristics of effectiveness was attached as Appendix B to the report.

It was reported that the Annual Governance Statement, attached as Appendix C to the report, had been drafted following the evaluation exercise. The statutory requirement was that the most senior officer (Chief Executive) and the most senior member (Leader of the Council) should sign the Statement, once satisfied that the document was supported by reliable evidence and accurately reflected the internal control environment. Because the Statement covered the requirements to produce a statement covering Corporate Governance and Internal Financial Control, it was recommended that the Section 151 Officer and Monitoring Officer also sign the Statement, as in previous years.

Committee noted that the current Code of Corporate Governance had been reviewed to incorporate the expanded governance requirements arising from the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government*. A proposed draft revision was attached as Appendix D to the report.

Members considered the report and raised questions on the information reported, which were suitably answered.

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

"That the recommendations set out in the report be approved."

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be clearly carried.

Resolved:

- (1) That the draft Annual Governance Statement for 2011/12 be approved for signing by the Leader of the Council, Chief Executive, Section 151 Officer and Monitoring Officer.

(2) That the draft revised Code of Corporate Governance be approved.

9 INTERNAL AUDIT MONITORING REPORT

Committee received the report of the Internal Audit Manager to advise of the latest monitoring position regarding the 2012/13 Internal Audit Plan, seek Members' approval for a change to planned resource allocations and advise Members of the results of recent audits.

The Internal Audit Manager reported that the content of the *Internal Audit Monitoring* and the *Results of Internal Audit Work* reports were combined in the report. The report was based on the monitoring position up to 6th August 2012 and a detailed monitoring report, as at that date, was attached as Appendix A to the report.

The monitoring position took account of ongoing and planned work commitments. The only significant point arising in the plan at this stage in the year was time allocated to *Support Work*, which currently showed an over-commitment of resources of 25 days, mainly arising through work with the Complaints Officer Working Group, whose work was nearing completion.

To meet an anticipated 30 days overspend on the *Support Work* element of the plan, it was proposed that the allocations to *Core Management Arrangements* be reduced by 15 days, *Risk Based Assurance Work* by 10 days and *Follow-Up Reviews* by 5 days.

It was noted that the request for an audit of septic tank management arrangements, raised at the last Audit Committee, had been drawn up and agreed with relevant Service Heads and the audit was underway.

Audit proposals were being developed for Management Team's consideration in relation to the performance management framework and partnership working and administration arrangements.

The assurance opinion issued for areas audited since the last meeting, and the key action points in relation to those reports where a *limited* or *minimal* assurance opinion had been given, were set out in the report. The one area where the assurance opinion had remained at *limited* was Information Management and Security. It was proposed that a review of progress be built in alongside current audit work in relation to information security and involvement with the Information Management Group, and that an update report be brought to the next meeting of the Committee.

Members considered the report in detail, and raised questions, which were suitably answered.

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

"That the recommendations set out in the report be approved."

Upon being put to the vote, Members voted unanimously in favour of the proposition, whereupon the Chairman declared the proposal to be clearly carried.

Resolved:

(1) That the current monitoring position be noted.

- (2) That, to meet an anticipated 30 days overspend on the Support Work element of the plan, the allocations to *Core Management Arrangements* be reduced by 15 days, *Risk Based Assurance Work* by 10 days and *Follow-Up Reviews* by 5 days.
- (3) That the results of recent audits reported in sections 3 to 5 of the report be noted, and an update report on progress regarding Information Management and Security be brought to the next meeting of the Committee.

Chairman

(The meeting ended at 7.15 p.m.)

**Any queries regarding these Minutes, please contact
Jane Glenton, Democratic Services - telephone (01524) 582068, or email
jglenton@lancaster.gov.uk**