

AUDIT COMMITTEE

6.00 P.M.

26TH JUNE 2013

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

Also in Attendance:

Steve Clark Director, KPMG LLP (for Minute Nos. 1 to 6 only)

Apologies for Absence:

Councillor Vikki Price

Officers in Attendance:

Nadine Muschamp Head of Resources and Section 151 Officer
Derek Whiteway Internal Audit Manager
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 Whitaker and seconded by Councillor Knight:

“That Councillor Williamson be Vice-Chairman of the Audit Committee for the Municipal Year 2013/14.”

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 2013/14.

2 MINUTES

The minutes of the meeting held on 24th April 2013 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 EXTERNAL AUDIT PLAN 2012/13

Steve Clark, Director with KPMG LLP, the Authority's external auditors, guided Members through the External Audit Plan 2012/13 prepared by KPMG.

The Plan outlined how KPMG would deliver its audit work on the financial statements audit work for the Authority, their approach to value for money (VFM) work for 2012/13, and proposed deliverables, timescales and fees for their work.

A number of key risks had been identified and were outlined to Members. These related to savings plans, which would be critically assessed in conjunction with the VFM work, Lancaster Market, involving the surrender of the long-term lease to Allied (Lancaster) Limited, and the Luneside East project, where the Council was awaiting a final outcome following the Lands Tribunal relating to compulsory purchase order compensation.

It was reported that, in due course, any determinations made or actions that occurred after the 2012/13 year end would be considered in context of whether they had any bearing on that year's accounts. Further work may be required if objections to those accounts were received from electors.

Resolved:

That the External Audit Plan 2012/13 be accepted.

6 EXTERNAL AUDIT FEE LETTER 2013/14

Committee received the letter from KPMG confirming the audit work and fee that was proposed for the 2013/14 financial year. The proposals were based on the risk-based approach to audit planning, as set out in the Code of Audit Practice and work mandated by the Audit Commission.

It was reported that KPMG had not yet completed their audit for 2012/13, and the audit planning process for 2013/14, including risk assessment, would continue as the year progressed. Fees would be reviewed and updated as necessary.

Resolved:

That the indicative External Audit Fee be approved.

Steve Clark, Director, KPMG LLP, left the meeting at this point.

7 INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2012/13

Members received the report of the Internal Audit Manager to inform Committee of the extent and outcome of Internal Audit work during the 2012/13 financial year and to present an annual Statement of Assurance regarding the Council's Internal Control Framework.

The annual outturn position was summarised, showing that the number of chargeable days delivered was down by 6 days on the revised plan and by 23 days on the original plan, due to a number of factors, including an increase in internal training activities and duties associated with structural/managerial changes within the Council.

The assurance opinions issued from audits and follow-up reviews completed since 31st March 2012 and subsequent changes in assurance levels, as set out in Appendix A to the report and summarised, were outlined to Members.

Members were advised that assurance levels on the Council's key corporate financial systems remained consistently high and no significant ongoing control weaknesses had been identified.

"Substantial" assurance opinions had been issued on three of the five governance audits undertaken. "Minimal" assurance opinions had been issued to the other two audits, details of which were outlined to Members. One of these, the audit into Information Security and the use of Emails, had been raised to "limited" at follow-up. The extent of the issues surrounding information and security and the plans in place to address those issues were, in the Internal Audit Manager's opinion, of sufficient significance to warrant specific mention in the Annual Governance Statement.

Nine other audits were reported, three of which had resulted in a "limited" assurance opinion. No control weaknesses had been identified which were so significant as to warrant disclosure in the Council's Annual Governance Statement.

In relation to the audit points raised regarding information security and email usage, concerns were raised by Members about the level of understanding of such issues and the standards of communication being achieved by Councillors. It was considered that action was needed to provide greater assurance on these aspects.

It was proposed by Councillor Barry and seconded by Councillor Newman-Thompson:

"That the recommendations set out in the report be approved and that Council Business Committee be asked to consider, as part of Member Development, measures to improve Members' email communications and usage."

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 be noted.
- (2) That the Controls Assurance Statement, as set out in paragraphs 2.12 to 2.22 of the report, be accepted.
- (3) That Council Business Committee be asked to consider, as part of Member Development, measures to improve Members' email communications and usage.

8 INTERNAL AUDIT MONITORING REPORT

Committee received the report of the Internal Audit Manager to advise Members of the latest monitoring position regarding the 2013/14 Internal Audit Plan, update Members on the results of recent audits and seek Members' approval for the proposed supply of internal audit work to an external body, with an associated change to planned resource allocations.

The monitoring position up to 31st May 2013 was outlined to Members. The monitoring position showed that current commitments totalled 337 days, compared with the current plan of 690 days, giving an uncommitted resource of 353 days, including the general contingency of 40 days and contingency for investigation work of 30 days.

It was reported that provision of 10 days had been included in the 2013/14 plan in case further opportunities arose in connection with further audit work for the Lake District National Park Authority (LDNPA). The LDNPA had requested provision of up to 25 days audit resource during 2013/14 to help fulfil the authority's internal audit plan, which it was felt could be managed by reducing the budget for Risk Based Audits by 10 days and the budget for Support Work by 5 days.

The assurance opinion issued for areas audited since the last meeting and the key conclusions and action points in relation to those reports where a "Limited" or "Minimal" assurance opinion had been given were outlined to Members.

It was reported by Councillor Whitaker 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 and the Chairman declared the proposal to be clearly carried.

Resolved:

- (1) That the current monitoring position be noted.
- (2) That the proposal to supply up to 25 days of audit resource to the Lake District National Park Authority in 2013/14 be approved and the audit plan adjusted, as set out in paragraph 1.6, to take account of this arrangement.
- (3) That the results of recent audits (sections 2-3 of the report) be noted.

9 INTERNAL AUDIT CHARTER AND NEW PUBLIC SERVICES INTERNAL AUDIT STANDARDS

Committee received the report of the Internal Audit Manager to advise Members of the introduction of new professional standards relating to internal audit and to seek Members' approval for a revised Internal Audit Charter.

It was reported that, from 1st April 2013, all local authorities, who were subject to the Accounts and Audit Regulations, were required to make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) standards, which replaced the Chartered Institute of Public Finance and Accountancy (CIPFA) standards. The new standards were supplemented by an Application Note from CIPFA, which provided guidance on the specific requirements for local government organisations.

The specific points of relevance raised by the PSIAS were outlined to Members and detailed in Appendix A to the report. The PSIAS required organisations to have an Internal Audit Charter. A proposed draft Charter was attached as Appendix B to the report.

It was reported that for the time being, pending a full assessment against the standards, any reference to "the Board" as used in the PSIAS, was being taken to refer to the Audit Committee, although decisions regarding appointment, removal and remuneration would not be referred to the Committee under current arrangements. Any instances of non-conformance with the PSIAS would be reported to the Committee.

Members were advised that the results of internal and external audit assessments would be conducted at least every five years, and local districts would be able to undertake peer reviews.

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

"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 be noted.
- (2) That the revised Internal Audit Charter be approved.

Chairman

(The meeting ended at 6.50 p.m.)

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