

AUDIT COMMITTEE

6.00 P.M.

29TH JUNE 2016

PRESENT:- Councillors Matt Mann (Chairman), Abbott Bryning, Colin Hartley, Elizabeth Scott, David Whitaker and Nicholas Wilkinson

Apologies for Absence

Councillor Malcolm Thomas

Officers in attendance:-

Nadine Muschamp

Derek Whiteway

Andrew Taylor

Sarah Moorghen

Chief Officer (Resources) and Section 151 Officer

Internal Audit and Assurance Manager

Corporate Fraud Manager (for Minute Nos.1 to 10)

Democratic Support Officer

1 APPOINTMENT OF VICE-CHAIRMAN

The Chairman requested nominations for the position of Vice-Chairman of the Audit Committee for the municipal year 2016/17.

It was proposed by Councillor Hartley and seconded by Councillor Whittaker:

“That Councillor Bryning be appointed Vice-Chairman of the Audit Committee for the municipal year 2016/17”

There being no further nominations, the Chairman declared the proposal to be carried.

Resolved:

That Councillor Bryning be appointed Vice-Chairman of the Audit Committee for the municipal year 2016/17.

2 MINUTES

The minutes of the meeting held on 20th January 2016 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 CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2014-15

The Chief Officer (Resources) presented the annual report for the certification work undertaken in 2014/15.

It was reported that certification work had been carried out on two claims/returns to give assurance on a sound return.

The Pooling of Housing Subsidy Benefit was certified as unqualified without amendment. A qualification had been necessary for the Housing Subsidy Benefit claim. No adjustment had been made for the errors identified.

Resolved:

That the Certification of Claims and Returns Annual Report 2014-15 be accepted.

6 EXTERNAL AUDIT PLAN 2015/16

The Chief Officer (Resources) presented the External Audit Plan 2015/16 prepared by KPMG, which outlined how KPMG would deliver its financial statements audit work for the Authority and set out their approach for value for money (VFM) work for 2015/16. The plan supplemented the Audit Fee Letter 2015/16.

KPMG had assessed the key risks affecting the Authority's financial statements and the central processes that would impact on the audit. Professional standards require two standard risks, in relation to management override of controls and fraudulent revenue recognition, to be considered as part of each authority's audit.

The National Audit Office had issued new guidance for the VFM audit which applied from the 2015/16 audit year. It was reported that the risk assessment was ongoing and KPMG would report on VFM significant risks during their audit.

Members were advised that KPMG work would be completed in four phases from March to July 2016

Resolved:

That the External Audit Plan 2015/16 be accepted.

7 ANNUAL AUDIT FEE LETTER 2016/17

The Committee received KPMG's Annual Audit Fee Letter 2016/17 confirming the audit work and the fee that was proposed for the 2016/17 financial year.

The Chief Officer (Resources) advised Members that KPMG planned and delivered work to fulfil their responsibility under the Code of Audit Practice (the Code) issued by the National Audit Officer (NAO). Under the Code, KPMG had a responsibility to consider the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources and in order to do this KPMG would undertake the appropriate value for money (VFM) audit work.

It was reported that the planned audit and certification fee were based on a number of assumptions, as set out in Appendix 1 to the letter. Over the course of the audit, it was expected that reports would be issued relating to KPMG's work, details of which were set out in Appendix 2 to the letter.

Resolved:

That the Annual Audit Fee Letter 2016/17 be accepted.

8 COUNTER FRAUD - ANNUAL REPORT 2015/16

The Corporate Fraud Manager presented the Counter Fraud Annual Report for 2015/16 which informed the Committee of the extent and outcome of counter fraud work during 2015/16 financial year.

It was reported that Local Authorities had a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for proper administration of their financial affairs. From 1st July 2015 responsibility for the housing benefit fraud investigation had passed to the Department of Work and Pensions and a Corporate Fraud Team, shared with Preston, Lancaster and Fylde Councils had been established.

There was a duty to have effective controls and procedures in place to prevent, detect and investigate fraud and error in Council Tax Support, Council Tax and Business Rates. The Corporate Fraud Team also worked in partnership with Social Housing providers to investigate tenancy fraud.

The Corporate Fraud Manager answered a number of questions from Members.

The Chairman thanked the Corporate Fraud Manager for his attendance.

Resolved:

That the report be noted.

9 FIGHTING FRAUD AND CORRUPTION LOCALLY - STRATEGY FOR 2016-2019

The Internal Audit and Assurance Manager presented the Fighting Fraud and Corruption Locally Strategy for 2016-2019 which informed the Committee of a recently released counter fraud and corruption strategy for English local authorities.

Members were advised that the recently released Fighting Fraud and Corruption Locally (FFCL) was a strategy for English local authorities that was the result of collaboration with local authorities and key stakeholders from across the counter fraud landscape which built on the previously issued Fighting Fraud Locally Strategy 2011.

It was reported that the strategy was aimed at providing a blueprint for a tougher response to fraud and corruption perpetrated against local authorities and included a 34 point check list for local authorities to use in measuring their position and progress against the strategy.

Members were advised that it was proposed that this exercise would be undertaken over the summer and the results reported to the Committee at its meeting on the 7th September 2016.

It was proposed by Councillor Hartley and seconded by Councillor Wilkinson:

“That the recommendations 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 adoption of the strategy as a guide to the Council’s continued development of its counter fraud and corruption arrangements be endorsed.

10 ANNUAL REVIEW OF INTERNAL AUDIT'S COMPLIANCE WITH PROFESSIONAL STANDARDS

The Internal Audit and Assurance Manager presented the Annual Review of Internal Audit’s Compliance with Professional Standards report to advise Members of the outcome from a self-assessment review against Public Sector Internal Audit standards as a contribution to the annual review of Internal Audit effectiveness, and sought endorsement for an updated Quality Assurance and Improvement Programme.

It was reported that the Accounts & Audit Regulations 2015 included a requirement that local authorities Internal Audit functions took into account public sector internal auditing standards. These standards were set out by the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN) (CIPFA 2013).

The PSIAS required the Internal Audit Manager to maintain a ‘Quality Assurance and Improvement Programme’ (QAIP) which included periodical internal and external assessment of compliance with the Standards. Furthermore, standard 1322 of the PSIAS required the Council to consider disclosing any significant deviations in its annual Governance Statement.

Members were advised that a further annual self-assessment had now been undertaken in accordance with the QAIP. It was reported that there were no areas where non-compliance had been identified and partial compliance was now demonstrated in 17 instances (previously 22), reflecting the position that action was ongoing to review arrangements in a number of areas.

Members were advised that the Professional Standards required that each internal audit service undergo an independent external review against the standards at least once every five years. This was to be done through a programme of peer review and Lancaster’s review would be carried out in November 2017 by Wyre Borough Council and Allerdale Borough Council.

The Internal Audit and Assurance Manager answered a number of questions from Members on the report.

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

“That the recommendations 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 Internal Audit Manager's conclusions from the self-assessment exercises be accepted as evidence that Internal Audit was operating effectively and the Committee could therefore place reliance on Internal Audit's reports and work when considering the overall effectiveness of the Council's governance arrangements.
- (2) That the Internal Audit Quality Assurance and Improvement Programme (QAIP) for 2016/17, presented at Appendix B be noted and endorsed.

11 INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2015/16

The Internal Audit and Assurance Manager presented the Internal Audit Annual Report and Assurance Statement 2015/16 to inform the Committee of the extent and outcome of Internal Audit work during the 2015/16 financial year and to present an annual Statement of Assurance regarding the Council's framework of governance, risk management and control.

It was reported that the 2015/16 Internal Audit Plan had been approved by Audit Committee at its meeting on 17th June 2015 and adjustment to the plan were approved by the Committee at its meetings on 16th September 2015 and 20th January 2016.

A summary of the annual position against the 2015/16 Annual Plan was provided for Members.

It was reported that the work of the Internal Audit sought to provide assurance to the Council as to the appropriateness and effectiveness of its internal control and corporate governance arrangements. During the 2015/16 financial year, Internal Audit's work had provided 'Limited' assurance.

The Internal Audit and Assurance Manager answered a number of questions regarding specific internal audit assurance results contained within the report.

It was proposed by Councillor Bryning and seconded by Councillor Scott:

"That the recommendations 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 Internal Audit and Assurance Manager's Assurance Statement and Annual Internal Audit Opinion (paragraphs 2.12 to 2.25) be accepted and considered by the Committee in relation to the annual governance review and Annual Governance Statement.

12 ANNUAL GOVERNANCE REVIEW 2015/16 - UPDATE

The Internal Audit and Assurance Manager presented the Annual Governance Review 2015/16 Update report to inform the Committee of arrangements for the annual governance review and the production of a Governance Statement for the year 2015/16 and sought Members' views on the outcome to date.

It was reported that as, in previous years, a review was being undertaken on the Councils' position and that performance against the Code of Governance approved in September 2012.

Members were advised that the governance review focused on areas for improvement and development and concerns and/or inconsistencies had been raised in a number of broad areas.

Members were informed that the next step in the process was for Management Team to consider, at its meeting on 28th June 2016, a report on the assurance, conclusions and observations arising so far from the review, along with an initial draft of the Annual Governance Statement for 2015/16. It was intended that Management Team would, in considering the report, develop and finalise the draft Governance Statement. This draft statement would be presented to the Audit Committee at its meeting on 7th September 2016.

Resolved:

That the report be noted.

13 INTERNAL AUDIT MONITORING REPORT

The Internal Audit and Assurance Manager presented the Internal Audit Monitoring Report to update Members on the results of recent audits.

The report covered audit work and reports issued since the last report to Committee on the 20th January 2016. Members were informed that summary reports had been issued to Members for consideration and were also posted on the Council's Intranet.

The Committee was advised that limited assurance was given on two new audit reports. These were the audit reports on stores and safeguarding adults. Action Plans had been agreed with the view of addressing issues which once implemented would result in substantial assurance being provided for both audits.

Members asked a number of questions relating to the Internal Audit Monitoring Report.

Resolved:

That the report be noted.

14 INTERNAL AUDIT STRATEGY AND RISK BASED PLAN

The Internal Audit and Assurance Manager presented the Internal Audit Strategy and Risk Based Plan and sought the Committee's approval for the proposed Internal Audit

Strategy and Annual Risk Based Plan for 2016/17.

It was reported that the Internal Audit Strategy was a high level statement of how the Internal Audit service would be delivered and developed in accordance with its approved terms of reference (the Audit Charter) and how it linked to the Councils' organisations objectives and priorities.

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

"That the recommendation 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:

That the Internal Audit Strategy and Risk Based Plan for 2016/17 be approved.

Chairman

(The meeting ended at 8.00 p.m.)

**Any queries regarding these Minutes, please contact
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