

AUDIT COMMITTEE

6.00 P.M.

14TH SEPTEMBER 2016

PRESENT:- Councillors Abbott Bryning (Vice-Chairman), Colin Hartley, Tim Hamilton-Cox (substituting for Nicholas Wilkinson), Elizabeth Scott, Roger Sherlock (substituting for Matt Mann), Malcolm Thomas and David Whitaker.

Apologies for Absence

Councillors Matt Mann (Chairman) and Nicholas Wilkinson

Officers in attendance:-

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| Nadine Muschamp | Chief Officer (Resources) and Section 151 Officer |
| Andrew Clarke | Financial Services Manager (for minutes 15 to 19 only) |
| Derek Whiteway | Internal Audit and Assurance Manager |
| Sarah Moorghen | Democratic Support Officer |

Also in attendance:-

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| Richard Lee | Senior Manager, KPMG LLP (UK) |
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15 MINUTES

The minutes of the meeting held on 29th June 2016 were signed by the Chairman as a correct record.

16 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN

There were no items of urgent business.

17 DECLARATIONS OF INTEREST

There were no declaration of interests.

18 REVIEW OF GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT 2015/16

The Committee received the report of the Chief Executive to seek the Committee's recommendation for the adoption of the Annual Governance Statement for the 2015/16 financial year.

It was reported that a review had been undertaken of the Council's position and performance against the Code of Governance approved in September 2012. The results of the evaluation exercises showed that there had not been any dramatic changes in the evaluation over the last year.

The document compiled to detail the identified "sources" of assurance for each element

of the Code had been updated and individual “assurance statements” in relation to internal control and governance arrangements had been sought from managers at the level immediately below Chief Officer level and assurance had been built into the overall evaluation.

The Internal Audit and Assurance Manager’s Annual Report and Assurance Statement for 2015/16 had concluded that the Authority had a significant ongoing governance issue in relation to its information management arrangements, which should be disclosed in the Governance Statement. Whilst the completed audit had not identified significant issues regarding the Council’s framework of governance, risk management and control, reductions in the amount of assurance work meant that only a ‘Limited’ assurance could be provided for this particular period.

No issues had been identified for disclosure in the Governance Statement following the Public Sector Internal Audit Standards (PSIAS) review.

Members considered the Annual Governance Statement, which had been drafted following the evaluation exercise.

Members asked a number of questions regarding the Council’s current position regarding capacity in the Governance Service’s senior management. Members also asked questions in relation to Performance Management arrangements, Information Governance, Member/Officer relations and personal development, and the potential impact of the UK’s decision to leave the European Union.

Resolved:

That the draft Annual Governance Statement for 2015/16 (attached as Appendix B of the report) be recommended for adoption and for signing by the Leader of the Council, Chief Executive, Section 151 Officer and Monitoring Officer.

19 STATEMENT OF ACCOUNTS 2015/16

The Committee received the report of the Chief (Officer Resources) seeking Member approval for the 2015/16 audited accounts to allow the completion of financial reporting for last year.

In accordance with the Accounts and Audit Regulations, the draft accounts had been produced by the 30th June 2016 and certified by the s.151 Officer on that date. They had been made available for public inspection and had been externally audited. There were a small number of presentational adjustment required to the accounts, but they were not material. It was reported that the Council had received one objection to the Accounts and this was currently being considered by the Auditor.

The Committee considered the adjusted and audited Accounts and noted the ‘letter of representation’ which was required by the Auditor in support of completing the audit, to be signed by the s.151 Officer.

The Financial Services Manager guided Members though the Annual Reporting and Audited Statement of Accounts for the year ended 31st March 2016 which was set out at Appendix B to the report.

Richard Lee, Senior Manager, KPMG LLP (UK), guided Members through the Auditor's formal report which was set out at Appendix A to the report, and reported the key issues identified during the audit of financial statements.

In due course, KPMG would finalise the audit and issue their opinion (subject to any outstanding objection) in time for the audited Accounts to be published by 30th September 2016. The audit would only be formally concluded once KPMG had concluded their consideration of the objection, however. This may be before, or after, the 30th September.

Members asked a number of questions regarding Council Tax, Business Rates, Contingent Assets and Liabilities, Business Rate revaluation and appeals from the NHS. Members also enquired about the position on the objection to the Accounts and how this was being dealt with by the Auditors.

Resolved:-

- (1) That the report for 2015/16 issued by the Council's External Auditors be noted, together with the letter of representation to be signed by the s151 Officer.
- (2) That the audited Statement of Accounts for the financial year ended 31 March 2016 be approved and that the Accounts be signed and dated by the Chairman.

20 LOCAL GOVERNMENT OMBUDSMAN - ANNUAL REVIEW LETTER 2015/16

The Committee received the report of the Internal Audit and Assurance Manager to consider the Local Government Ombudsman's Annual Review Letter for the year ending 31st March 2016.

The Local Government Ombudsman's Annual Review Letter 2015/16 was appended to the report. A total of 12 complaints and enquiries have been received against the Council in 2015/16, compared to 22 received in 2014/15. 12 decisions had been made in 2015/16 compared to 21 in 2014/15.

Members noted that 3 of the decisions related to complaints investigated in detail, 2 of which were upheld. This compared to 2 detailed investigations in 2014/15, of which 1 had been upheld.

In the Annual Review of Local Government complaints, the Local Government Ombudsman had noted that the general number of complaints had increased by around 6%, although, this was at least in part explained by the number and type of organisations being included having also increased.

Resolved:

That the report be noted.

21 FIGHTING FRAUD AND CORRUPTION LOCALLY - STRATEGY FOR 2016-19 (UPDATE)

The Internal Audit and Assurance Manager presented the Fighting Fraud and Corruption Locally Strategy for 2016-2019 (Update) to inform the Committee of the outcome of a

self-assessment against the Fighting Fraud and Corruption Locally (FFCL) Strategy and the resulting plan of action.

Members were advised that, as a preliminary action in connection with the strategy, a self-assessment had been undertaken against the checklist included in the FFCL Strategy.

The outcome of the self-assessment, setting out potential areas for development and planned actions was appended to the report. It was reported that overall the exercise had been very positive in terms of confirming the commitment being shown though the Council's counter fraud arrangements and in serving to identify areas in which further improvement was possible. It was judged that the actions identified could be implemented within current budgets and staffing resources.

Members were advised that progress updates would be included in future reports to the Committee on counter-fraud activity.

Resolved:-

That the report be noted.

22 INTERNAL AUDIT MONITORING

The Committee received the report of the Internal Audit and Assurance Manager to advise Members of the latest monitoring position regarding the 2016/17 Internal Audit Plan, sought approval for proposed variations to the Plan, and update Members on the results of recent audits.

A summary of the monitoring position as at 10th August 2016 was outlined to Members showing an uncommitted resource of 105 days, which included general contingency of 40 days and the unallocated balance of contingency investigation work of 17 days.

It was reported that delivery of the Audit Plan had, to this point in the year, been heavily affected by the need for internal audit staff resources to be diverted, from March 2016, to cover both the management and day-to-day operation of the Council's corporate information management functions. This was demonstrated in the 75 days over-commitment of resources to "Other Duties (Non-Audit)". This situation had now been resolved following the appointment of both an Information Governance Manager and Information Governance Assistant.

The proposals incorporated a reduction in the time spent on follow-ups (15 days) and the transfer of 10 days each from investigations contingency and the general contingency. This reduced the current over-commitment in the plan from 75 days to 40 days. Options were being explored for securing additional resources from within existing budgets.

The key conclusions and action points in relation to Internal Audit Work to 30th August 2016, were a "Limited" assurance opinion had been given, were outlined to Members.

Resolved:

- (1) That the current monitoring position be noted.

- (2) That the proposed revisions to the audit plan, as set out in the table in 1.2 of the report, be approved.
- (3) That the results of recent audit activity set out in sections 2-3 of the report are noted.

Chairman

(The meeting ended at 7.25 p.m.)

**Any queries regarding these Minutes, please contact
Sarah Moorghen, Democratic Services - telephone 01524 582132, or email
smoorghen@lancaster.gov.uk**