

AUDIT COMMITTEE

6.10 P.M.

21ST FEBRUARY 2018

PRESENT:- Councillors Abbott Bryning (Chairman), Colin Hartley (Vice-Chairman), Elizabeth Scott, Malcolm Thomas, David Whitaker and Nicholas Wilkinson
John Reynolds (Substitute for Nathan Burns)

Apologies for Absence

Councillor Nathan Burns

Officers in attendance:-

Nadine Muschamp	Chief Officer (Resources) and Section 151 Officer
Joanne Billington	Internal Audit & Assurance Manager
Lorraine Farrow	Principal Auditor
Dawn Allen	Audit Assistant
Sarah Moorghen	Democratic Support Officer

19 MINUTES

The minutes of the meeting held on 13th September 2017 were signed by the Chairman as a correct record.

20 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN

There were no items of urgent business.

21 DECLARATIONS OF INTEREST

There were no declarations of interest.

22 ANNUAL REPORT ON GRANT CLAIMS AND RETURNS 16-17

Tim Cutler, Partner, KPMG LLP (UK), the Authority's external auditors, presented the Annual Report on Grant Claims and Returns in 2016/17.

It was reported that certification work had been carried out on two returns.

The Pooling of Housing Capital Receipts return had been certified as unqualified without amendment. A minor adjustment had been necessary for the Housing Benefit Subsidy claim, which in turn was also unqualified.

Members asked questions in relation to the External Audit fees.

Resolved:

That the External Auditor's Annual Report on Grants and Returns 2016-17 be accepted.

23 EXTERNAL AUDIT PLAN 17-18

The Committee received the draft External Audit Plan 2017/18 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 2017/18.

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

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's work would be completed in four phases from November 2017 to July 2018.

Members asked a number of questions in relation to public access to the audit report, valuations of properties, Pensions, the impact of Canal Corridor North and that of 'faster close' on committee deadlines.

Resolved:

That the External Audit Plan 2017/18 be accepted.

The Interim Internal Audit and Assurance Manager, Principal Auditor and the Assistant Auditor left the room and did not participate in the following item (Minute 24).

24 INTERNAL AUDIT - FUTURE MANAGEMENT AND DELIVERY

The Chief Officer (Resources) presented a report on Internal Audit – Future Management and Delivery which sought endorsement for the continuation of the arrangements regarding the Internal Audit and Assurance Manager role through collaboration with Wyre Borough Council and to approve the Internal Audit re-structure.

It was reported that the Accounts and Audit Regulations 2015 required local government to have a "Head of Audit" role holding a professional qualification and being suitably qualified.

Members were advised that following the departure of the former Internal Audit and Assurance Manager (IAAM) in May 2017, the Audit Committee had endorsed an arrangement with Wyre Borough Council to enter into a 12-month collaboration pilot to cover the role of the IAAM. The pilot was considered to be successful and therefore, a continuation of the collaboration arrangement was proposed, subject to the endorsement by the Audit Committee and approval through Budget Council.

It was reported that, in the absence of a full time IAAM, both members of the internal audit team had taken on more responsibility and work at a higher level. The new structure would comprise of a part-time IAAM (provided from Wyre Borough Council, as now) who would be supported by a full time Assistant IAAM and a full time Auditor. The

team would also be supported by an apprentice who would be shared with Financial Services on a 50/50 basis.

Members asked a number of questions relating to apprenticeship qualifications, advertising for a permanent IAAM and what had been lost by not having a full time IAAM.

Resolved:

- (1) That the Committee endorses the continuation of the collaboration arrangement with Wyre Borough Council for a further 12-month period (minimum), to cover the Internal Audit and Assurance Manager (IAAM) role.
- (2) That, subject to the outcome of Budget Council, the Internal Audit restructure be approved, as set out in the report.

25 AUDIT COMMITTEE TERMS OF REFERENCE

The Committee received the report of the Interim Internal Audit and Assurance Manager to seek Members' acceptance to revised terms of reference for the Audit Committee to be recommended to full Council for approval.

It was reported that, since its last review in 2015, there was only one proposed change to the Audit Committee's Terms of Reference (Appendix A to the report, paragraph 8.23) in relation to the Committee undertaking the annual review of the Council's use of the Regulation of Investigatory Powers Act (RIPA) 2000.

A copy of the current Terms of Reference and the proposed revisions were attached at Appendix A to the report for Members' consideration.

Members asked questions in relation to the use of RIPA and the rules on the Vice-Chairman not being able to be appointed to Overview and Scrutiny and Cabinet.

Resolved:

- (1) That the proposed revision of the Audit Committee's Terms of Reference be accepted and recommended to full Council for adoption.
- (2) That the terms of reference be reviewed later in the municipal year following the publication of CIPFA's Audit Committee's: Practical Guidance for Local Authorities and Police (2017 Edition).

26 INTERNAL AUDIT CHARTER

The Interim Internal Audit and Assurance Manager presented a report that sought approval for a revised Internal Audit Charter.

Members were advised that the current Internal Audit Charter was approved by the Committee at its meeting on the 18th January 2017 (Minute 29 refers). In accordance with existing Internal Audit Standards the Charter should be reviewed periodically.

A review of the Audit Charter had identified that a few minor changes were required to

the document.

In addition any reference to the existence of the Internal Audit Manual had been removed from the Audit Charter. It was felt that the Audit Manual was merely a duplication of documents, which were all available on the Council's Internet or Intranet site.

Members asked a number of question relating to the Internal Audit Charter.

Resolved:

That the Audit Committee agree the Internal Audit Charter, submitted at Appendix A to the report.

27 INTERNAL AUDIT STRATEGY AND RISK BASED PLAN 2018/19

The Interim Internal Audit and Assurance Manager (IAAM) 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 2018/19.

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 Council's organisations objectives and priorities.

Members asked questions in relation to Canal Corridor and Council housing voids.

Resolved:

That the Internal Audit Strategy and Risk Based Plan for 2017/18 be approved.

Chairman

(The meeting ended at 7.10 p.m.)

**Any queries regarding these Minutes, please contact
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