

AUDIT COMMITTEE

6.10 P.M.

12TH JUNE 2019

PRESENT:- Councillors Paul Stubbins (Chair), Abbott Bryning, Jason Firth, Geoff Knight, Oliver Robinson and Malcolm Thomas

Officers in attendance:

Paul Thompson	Chief Financial Officer (Head of Finance & Section 151 Officer)
Joanne Billington	Internal Audit and Assurance Manager
Dawn Allen	Principal Auditor
Stephen Metcalfe	Principal Democratic Support Officer
Andrew Taylor	Corporate Fraud Manager

Also in attendance: -

Helen Taylor	Senior Manager, Deloitte
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1 APPOINTMENT OF VICE-CHAIR

The Chair requested nominations for the position of Vice-Chairman of the Audit Committee for the municipal year 2019/20.

It was proposed and seconded:

“That Councillor Geoff Knight be appointed Vice-Chair of the Audit Committee for the municipal year 2019/20”.

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

Resolved:

That Councillor Geoff Knight be appointed Vice-Chair of the Audit Committee for the municipal year 2019/20.

2 MINUTES

The minutes of the meeting held on the 20th February 2019 were signed by the Chair as a correct record.

3 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIR

There were no items of urgent business.

4 DECLARATIONS OF INTEREST

There were no declarations of interest.

5 REVIEW OF INTERNAL AUDIT EFFECTIVENESS

The Internal Audit and Assurance Manager (IAAM) submitted a report that informed of the requirement for the authority to undertake an annual review of the effectiveness of the system of Internal Audit.

The Accounts and Audit Regulations 2015 required the relevant body, at least once a year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind this was to ensure that the opinion in the annual audit report issued by the Internal Audit and Assurance Manager could be relied upon as a key source of evidence in the Annual Governance Statement.

Although overall compliance had been achieved, one minor observation had been made. The proposed action was detailed in bold in Appendix A to the report. It was reported that the partial compliance in relation to risk management would be documented in more detail in the Annual Governance Statement minor issues action plan and would be subsequently monitored by the Council's Executive Team and Internal Audit.

It was proposed and seconded:

"That, subject to:

- the deletion of the words "partial completed" and replacement with "partial non conformances" within the report and Appendix A;
- inserting the words 'in order to improve the effective monitoring of risk that a summary extract of the strategic risks be circulated to the Committee on a quarterly basis from the November meeting onwards;

the recommendations, as set out in the report, be approved".

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

Resolved:

That the results of the May 2019 review of the effectiveness of Internal Audit, detailed in Appendix A to the report be noted, subject to:

- the deletion of the words "partial completed" and replacement with "partial non conformances" within the report and Appendix A;
- inserting the words 'in order to improve the effective monitoring of risk that a summary extract of the strategic risks be circulated to the Committee on a quarterly basis from the November meeting onwards;

6 INTERNAL AUDIT ANNUAL REPORT 2018-19

The Internal Audit and Assurance Manager (IAAM) presented the Internal Audit Annual Report for 2018-19 to inform the Committee of the extent and outcome of internal audit work during the year and to present an annual overall opinion regarding the Council's internal control, risk management and governance framework.

It was reported that the work of internal audit sought to provide assurance to the Council as to the appropriateness and effectiveness of its internal control, risk management and corporate governance arrangements. The IAAM reported that during the 2018/19 financial year, internal audit's work had gained the necessary assurances to be able to state that the Council had in place satisfactory controls to be able to maintain an adequate and effective internal control environment. However, it was noted that the IAAM had stated that risk management should be reported in the Council's Annual Governance Statement for the year 2018/19 as an area requiring attention.

Members asked a number of questions in relation to Freedom of Information and the volume of requests and staffing issues and performance management.

It was proposed and seconded:

"That the recommendations as set out in the report, be approved, subject to:

- the deletion of the words "partial completed" and replacement with "partial non conformances" within the report on line 9, page 93;
- insert the following words after the word "plan" on the second to last line, on page 95 of the report "Tasks will involve refreshing the Council's Risk Management Policy and Strategy and ensuring that key strategic and operational risks are being documented and mitigation controls being put in place.

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

Resolved:

(1) That the Internal Audit and Assurance Manager's (IAAM) Internal Audit Annual Report for 2018/19 be accepted, subject to the following amendments, and be considered by the Committee as a key source of assurance which will be reported in the Annual Governance Statement (AGS), which was to be considered by the Committee later in the agenda.

- the deletion of the words "partial completed" and replacement with "partial non conformances" within the report on line 9, page 93;
- insert the following words after the word "plan" on the second to last line, on page 95 of the report "Tasks will involve refreshing the Council's Risk Management Policy and Strategy and ensuring that key strategic and operational risks are being documented and mitigation controls being put in place.

7 ANNUAL GOVERNANCE STATEMENT 2018-19

The Internal Audit and Assurance Manager (IAAM) presented a report on the Annual Governance Statement (AGS) for 2018/19, which once approved by the Committee would be included in the Annual Statement of Accounts in July 2019, following a review of the Council's governance arrangements.

Members were advised that, in accordance with the Accounts and Audit Regulations

2015, the Council was required to prepare an AGS, which was published alongside the Statement of Accounts.

The IAAM took the Committee through the AGS and explained how this year the statement had been pulled together following a number of meetings with key officers. A document had been compiled to detail the identified sources of assurance for each element of the Code had been updated. The sources of assurance ranged from a record of official policy and strategy documents, such as the Constitution, to the results of reviews such as internal audit and external audit reports. In addition service managers had also been asked to complete assurance statements in relation to other external sources of assurance gained.

It was reported that the AGS and the results of the review reflected the developments and issues impacting the Council's governance arrangements during the last twelve months. Addressing the significant issue, namely risk management, as identified in the statement would help to ensure the Council maintained and improved its standards of governance in the future.

Members asked questions in relation to reward schemes for improvement.

It was proposed and seconded:

"That the recommendations, as set out in the report, be approved, subject to the following addition:

- insert the following words after the word "plan" at the end of paragraph 4.2, on page 108 of the report "Tasks will involve refreshing the Council's Risk Management Policy and Strategy, finalising the strategy risk register, ensuring operational / service risks are identified and documenting an effective monitoring and reporting framework.

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

Resolved:

That the Annual Governance Statement (AGS) for 2018/19 be recommended for adoption and for signing by the Chief Executive and the Leader of the Council, subject to the following amendment:

- insert the following words after the word "plan" at the end of paragraph 4.2, on page 108 of the report. Tasks will involve refreshing the Council's Risk Management Policy and Strategy, finalising the strategy risk register, ensuring operational / service risks are identified and documenting an effective monitoring and reporting framework.

8 EXTERNAL AUDIT ANNUAL FEE LETTER

The Committee received Deloitte's annual fee letter for 2019/20 confirming the audit work and the fee that was proposed.

Helen Taylor, Senior Manager, Deloitte advised that the scale for the fee was set by the

Public Sector Audit Appointment Limited (PSAA) and that the auditor did not propose any variation to the 2018/19 scale fee.

Resolved:

That the Audit Fee Letter 2019/20 be accepted.

9 COUNTER FRAUD ANNUAL REPORT 2018-19

The Counter Fraud Manager presented the Counter Fraud Annual Report 2018 – 19 to inform the Committee of the extent and outcome of counter fraud work during the 2018/19 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 the proper administration of their financial affairs. There was also 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.

From 1st June 2015 the City Council had been part of a shared Corporate Fraud Team alongside Preston City Council and Fylde Borough Council.

The report detailed performance and counter fraud activity undertaken by the Fraud Team during 2018/19 in this specialist area of work.

The Committee asked questions regarding cost savings, concerns regarding overpayments, insurance claims and the main areas for claims for insurance to the Council.

Resolved:

That the report be noted.

Chair

(The meeting ended at 7.40 p.m.)

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