

AUDIT COMMITTEE

6.10 P.M.

22ND JULY 2020

PRESENT:- Councillors Paul Stubbins (Chair), Stephie Barber, Abbott Bryning, Oliver Robinson and Anne Whitehead and Stewart Scothern (Substitute)

Apologies for Absence:

Geoff Knight and David Whitworth

Officers in attendance:

Joanne Billington	Internal Audit and Assurance Manager (IAAM)
Paul Thompson	Chief Financial Officer (Head of Finance / Section 151 Officer) CFO
Dawn Allen	Principal Auditor
Steve Simpson	Head of ICT
Stephen Metcalfe	Principal Democratic Support Officer
Jenny Kay	Civic & Ceremonial Democratic Support Officer
Eric Marsden	Democratic Support Officer

Also in attendance:

Paul Hewitson Deloitte LLP

THE MEETING ADJOURNED AT 6:12 P.M. AND RECONVENED AT 6:20 P.M.

1 APPOINTMENT OF VICE-CHAIR

The Chair requested nominations for the position of Vice-Chairman of the Audit Committee for the municipal year 2020/21.

It was proposed and seconded:

“That Councillor Anne Whitehead be appointed Vice-Chair of the Audit Committee for the municipal year 2020/21”.

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

Resolved:

That Councillor Anne Whitehead be appointed Vice-Chair of the Audit Committee for the municipal year 2020/21.

2 MINUTES

The minutes of the meeting held on 19th February 2020 were agreed as a true record, and would be signed by the Chair at a later date.

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 (INCLUDES LOCAL GOVERNMENT APPLICATION NOTE)

The IAAM submitted a report informing of the requirement for the authority to undertake an annual review of the effectiveness of the system of Internal Audit. The results of this annual review, undertaken in July 2020, had been tabled for consideration by the Committee.

It was noted that an external assessment is required every 5 years, with the next review scheduled for 2023.

The IAAM reported that compliance had been found in all areas except Risk Management (this area would be considered later in the agenda).

At the request of the Chairman, the IAAM gave an update on the risks documented in the council's strategic risk register. Whilst it was acknowledged that no monitoring had been completed since March 2020, the IAAM stated the risks would have changed significantly given the Covid pandemic and the changes this will have had on funding and staffing, therefore it was agreed that the register would be circulated to the Executive Team and amended accordingly. The amended register would be circulated at the next meeting.

Resolved:

That the Review of Internal Audit Effectiveness be noted.

6 INTERNAL AUDIT ANNUAL REPORT 2019/20

The IAAM presented the Internal Audit Annual Report for 2019-20, informing the Committee of the extent and outcome of internal audit work during the year, and providing assurance of its internal control, risk management and corporate governance arrangements. It was reported that whilst there are a number of audits that have still to be finalised owing to the delays caused by the Covid pandemic, the council does have satisfactory controls in place to be able to maintain an adequate and effective internal control environment.

An update to the report was noted: on page 71, whilst it states that a draft VAT report had been issued, this report has now been withdrawn to allow further changes to be made. The report will be finalised within the next few weeks.

The Committee questioned if adequate resources were available, given that several areas were still outstanding and some areas had been in the audit plan for several years (for example Asset Management). Whilst redeployment to further Covid-19 work could not be ruled out, the IAAM reported that the 2020-21 Audit plan was being revised ready for presentation at the next (26 August) meeting. A large part of the audit plan will focus on progressing the work needed around risk management. The potential of using apprentices as an additional resource was also being considered. However, it was felt assistance from other local authorities (as had been obtained in previous years) was

unlikely in current circumstances.

The IAAM reported concerns regarding the Council's compliance with General Data Protection Regulations (GDPR). Following a review by Merseyside Internal Audit Service, 48 recommendations had been included in their draft report, and progress in implementing these was still required.

In answer to questions about GDPR, the IAAM reported that any non-compliance with this legislation had to be considered a significant risk to the Council given the financial impact this may have if fines are incurred for non-compliance.

Regarding risk management, the effect of the Covid pandemic had delayed progress, with further consideration now being given on how best to deliver corporate training (possibly by video) and how best to formulate operational risk registers.

Both risk management and GDPR compliance will be highlighted as areas that require attention in the Annual Governance Statement for 2019/20.

Resolved:

That the Internal Audit Annual Report for 2019-20 be noted.

7 COUNTER FRAUD ANNUAL REPORT

In the absence of the Counter Fraud Manager, the IAAM presented the Counter Fraud Annual Report 2019-20, informing the Committee of the extent and outcome of counter fraud work during the 2019-20 financial year.

The performance figures at item 3.1 were noted as illustrating how the Corporate Enquiry Team added value and had paid for themselves.

There were no questions.

Resolved:

That the Counter Fraud Annual Report 2019-20 be noted.

8 ANNUAL GOVERNANCE STATEMENT 2019/20

The Internal Audit and Assurance Manager (IAAM) presented a report on the Annual Governance Statement (AGS) for 2019/20, which once approved by the Committee would be included in the Annual Statement of Accounts, following a review of the Council's governance arrangements.

The IAAM briefed the Committee on how the AGS had been compiled via TEAMS this year owing to the Covid pandemic. It was reported that two areas had been highlighted as 'significant issues' (risk management and information governance) and a number of minor issues had been documented in an action plan that was circulated to the Committee earlier that day via email.

The External Auditor raised three issues for attention by the Committee:

- a correction in the first paragraph on page 98: the audit report had been signed for the year ending 31 March 2020 (not 2019);
- more disclosure would be expected regarding Covid, as other local authorities had done, even though it was largely post-year end;
- more disclosure would be expected on how the Section 151 Officer can adequately discharge their duties whilst not being a member of the Executive Team;

The CFO (Section 151 Officer) responded that whilst CIPFA guidance recommended that the S151 role sit in the Executive Team, this was not mandatory. He confirmed that in fulfilling his statutory duties he satisfied himself that he received adequate information, was present at necessary meetings and briefings, could exercise his right to be heard, and was able to challenge any decisions.

The IAAM responded that she felt the AGS was not the correct place for more disclosure around the Covid pandemic and that it sat more comfortably in the 'notes to the accounts' of the Financial Statements.

The Committee asked the IAAM if the Procurement Strategy would come to the Audit Committee for approval. The IAAM stated that the strategy would be considered / approved by the Cabinet before going to Council and does not form part of the Audit Committee's Terms of Reference.

Councillor Stubbins tabled an amendment to the AGS, which would replace the first sentence of section 4.2 (page 99 of the agenda) with the following text: "Further work is required to strengthen implementation of risk management practice and reporting across the Council's operations" to then continue "Work completed in 2019 has included..."

Resolved:

That, subject to the date correction on page 98, and subject to the following amendment at section 4.2 replacing the first sentence with "Further work is required to strengthen implementation of risk management practice and reporting across the Council's operations" to then continue "Work completed in 2019 has included...", the draft Annual Governance Statement (AGS) for 2019/20 be approved and recommended for signing by the Chief Executive and the Leader of the Council.

9 PROPOSED ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS USED IN THE PREPARATION OF THE STATEMENT OF ACCOUNTS 2019/20

The CFO presented a report in respect of the changes to the Council's Accounting Policies for the 2019/20 financial year.

The Committee was informed that, following review of CIPFA advice and standards, and discussion with the external auditors, there were no significant changes from 2018-19. It was intended that an initial draft Statement of Accounts, along with training for members, would be provided at the next scheduled meeting (26 August 2020). The effects of Covid19, which began only in the final week of the financial year, would feature mainly in the narrative of the Statement of Accounts.

There were no questions raised.

Resolved:

That the accounting policies, as set out in Appendix 1, incorporating the identified changes, be approved.

That the critical judgements made by management when producing the Statement of Accounts be noted.

Chair

(The meeting ended at 7.45 p.m.)

**Any queries regarding these Minutes, please contact
Eric Marsden, Democratic Services - email emarsden@lancaster.gov.uk**