

AUDIT COMMITTEE

6.00 P.M.

9TH JUNE 2021

PRESENT:- Councillors Paul Stubbins (Chair), Abbott Bryning, Duggan and Geoff Knight

Apologies for Absence:

Councillor Oliver Robinson

Officers in attendance:

Sarah Davies	Director of Corporate Services
Paul Thompson	Chief Financial Officer (Head of Finance & Section 151 Officer)
Sarah Moorghen	Democratic Support Officer

Also in attendance:

Paul Hewitson	Deloitte LLP
Helen Taylor	Deloitte LLP

1 APPOINTMENT OF VICE-CHAIR

The Chair requested nominations for the position of Vice-Chairman of the Audit Committee for the municipal year 2021/22.

It was proposed by Councillor Paul Stubbins and seconded by Councillor Adrian Duggan:

“That Councillor Geoff Knight be appointed Vice-Chair of the Audit Committee for the municipal year 2021/22”.

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 2021/22.

2 MINUTES

The minutes of the meeting held on 24th March 2021 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 declarations of interest.

5 REVIEW OF INTERNAL AUDIT EFFECTIVENESS

The Chief Finance Officer (CFO) presented the report which had been submitted by the Principal Auditor informing the Committee of the requirement to undertake an annual review of the effectiveness of the system of Internal Audit.

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

The Principal Auditor had assessed the effectiveness of the internal audit service during the period 1st April 2020 to 31st March 2021 using the recommended checklist contained with CIPFA's Local Government Application Note. This had been subsequently scrutinised by the Financial Services Manager (Section 151 Officer). The results of this annual review, undertaken in June 2021, had been tabled for consideration by the Committee.

The areas of 'partial' compliance in relation to risk management had been documented in more detail in the Annual Audit Opinion, therefore a separate action plan had not been formulated.

Resolved:

- (1) That the Review of Internal Audit Effectiveness be noted.

6 INTERNAL AUDIT ANNUAL REPORT 2020/21

The Chief Finance Officer (CFO) presented the report of the outgoing Internal Audit and Assurance Manager (IAAM) to inform the Committee of the extent and outcome of internal audit work during the year and to present an 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's opinion in relation to these areas, based on work completed during 2020/21 was appended to the agenda for consideration by the Committee.

The CFO thanked the outgoing IAAM and Principal Auditor for producing the reports for presentation to Audit Committee and for all their work while with the authority.

The Committee asked questions in relation to items that had had limited assurance for 18 months and were reassured that these would be revisited and the Committee could be reasonably confident that these would not be limited again.

The Committee also felt that there should be a lot more emphasis on risk management and this should be driven by the Executive Team and the Audit Manager. An item on risk management would be presented to the Committee at the next meeting.

It was proposed by Councillor Geoff Knight and seconded by Councillor Adrian Duggan:

"That 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 carried.

Resolved:

- (1) That the outgoing Internal Audit and Assurance Manager's (IAAM) Internal Audit Annual Report for 2020/21 be accepted and considered by the Audit Committee as a key source of assurance which will be reported in the Annual Governance Statement (AGS), to be considered by the Committee at a later stage.

7 COUNTER FRAUD - ANNUAL REPORT 2020/21

The Chief Finance Officer (CFO) presented a report of the Corporate Fraud Manager to inform the Committee of the extent and outcome of counter fraud work during the 2020/21 financial year.

The CFO thanked the Corporate Fraud Manager and her team for their work over a difficult 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 2020/21 in this specialist area of work.

The Committee asked a number of questions regarding target setting and achievement and were advised that the Corporate Fraud Manager set targets based on historical data and previous targets. Members also asked about fraud relating to COVID-19 Business Grants and were advised that this was unlikely to be 100% fraud proof due to the speed at which they were required to be distributed and it was possible that fraud figures in relation to these grants could potentially increase.

Resolved:

- (1) That the report be noted.

8 STATEMENT OF ACCOUNTS UPDATE

The Chief Finance Officer (CFO) presented a report on the Statement of Accounts 2019/20 and 2020/21 which provided the Committee with an updated position regarding the conclusion of the 2019/20 audit of the Statement of Accounts and details of progress in the preparation of the Statement of Accounts for the year ended 31st March 2021.

It was reported that the requirements and timelines for the approval of a Local Authority's Statement of Accounts had changed due to the impact of the COVID-19 pandemic. In accordance with the amended Regulations, the draft Statement for Accounts for 2019/20 was required to be published on the Council's website and submitted for audit by 31st August 2020 rather than 31st May 2020 and the timeline for

the conclusion of the audit was 30th November 2020 rather than 31st July 2020.

The Statement of Accounts for 2020/21 was required to be published on the Council's website and submitted for audit by 31st July 2021 rather than 31st May 2020 and the timeline for the conclusion of the audit 30th September 2020 rather than 31st July 2020.

The Committee was advised that Councillor Training on the Statement of Accounts had taken place over two sessions on the 27th August and the 25th November 2020.

Due to the COVID-19 pandemic, the external auditors had, on advice, withdrawn from Lancaster Town Hall in mid-March 2020. Audit planning and preliminary statement of accounts testing had resumed in December 2020 but was halted in January and February 2021 to allow officers to focus on delivering the Council's budgets. Audit work had progressed throughout March and April 2021 but was currently on hold whilst the External Auditors applied resources to deliver their NHS commitments.

It was reported that the audit was substantially completed. Two issues were above the External Auditors materiality threshold. These issues related to the Walney Substation backdated income and the valuation of Giant Axe Stadium. The final accounts had been adjusted to reflect this.

The CFO corrected para 3.6 of his report to clarify to the Committee that 2 local residents had submitted objections to the Council's 2019/20 financial statements to the external auditor, both are currently progressing through the appropriate procedure.

The External Auditor had considered the objections in accordance with the National Audit Office's Audit Guidance and had formally written to one of the objectors stating the grounds for not considering the objection. The External Auditor advised the Committee that he had since had a reply stating that the objector objected to the External Auditors reply.

The Committee asked questions about the valuation of Giant Axe Stadium and whether the same could apply to any other Council properties, such as the parks. The CFO advised that would be checked but given the uniqueness of the asset it was expected to be an isolated issue.

Resolved:

(1) That the progress in the following areas be noted;

1. The audit of the Statement of Accounts for the year ended 31st March 2020 and the matters arising to date.
2. The preparation of the Statement of Accounts for the year ended 31st March 2021.

9 EXCLUSION OF THE PRESS AND PUBLIC

The Chair advised Members that it had been recommended to exclude the press and public from the meeting for the following items of business on the grounds that they could involve the possible disclosure of exempt information.

It was moved by Councillor Geoff Knight and seconded by Councillor Adrian Duggan:

“That, in accordance with Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it could involve the possible disclosure of exempt information, as defined in Paragraphs 1, 2, and 4 of Schedule 12A of that Act.”

A vote was taken and the motion was unanimously carried.

Resolved:

- (1) That, in accordance with Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they could involve the possible disclosure of exempt information, as defined in Paragraph 1, 2, and 4 of Schedule 12A of that Act.

10 FUTURE PROVISION OF INTERNAL AUDIT

The Director of Corporate Services provided an oral report which provided the Committee with an update on the future provision of Internal Audit.

The Committee asked a number of questions in regard to the presentation relating to costing, organisational structures and CIFA recommendations.

A copy of the presentation is attached to as an Exempt Appendix to minute 10.

Resolved:

- (1) That the presentation be noted.

11 HR ASSURANCE REPORT

The Committee received a report from the Director of Corporate Services that was exempt from publication by virtue of paragraph 1, 2, and 4 of Schedule 12A of the Local Government Act.

Resolved:

- (1) The resolution is set out in a minute exempt from publication by virtue of paragraph 1, 2, and 4 of Schedule 12A of the Local Government Act.

Chair

(The meeting ended at 8.00 p.m.)

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

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