

## AUDIT COMMITTEE

6.00 P.M.

26TH JULY 2023

**PRESENT:-** Councillors Paul Stubbins (Chair), Colin Hartley (Vice-Chair), Ruth Colbridge, Peter Jackson, Shelagh McGregor and David Whitaker

Apologies for Absence:

Councillor Kate Knight  
Debra Chamberlain (KMPG)

Also in attendance:

Councillor Tim Hamilton-Cox  
Paul Hewitson (Deloitte)

Officers in attendance:

Luke Gorst	Chief Officer - Governance and Monitoring Officer
Paul Thompson	Chief Officer - Resources and Section 151 Officer
Haley Baron	Corporate Fraud Manager
Louise Cobain	Head of Internal Audit
Fiona Hill	Engagement Manager
Claire Helme	Democratic Support Officer

### 9 MINUTES

The minutes of the meeting held on 24 May 2023 were signed by the Chair as a correct record after some minor amendments were made in the Internal Audit Progress Report as follows:

“Three reports had been finalised one from the 21/22 Audit Plan and two from the 22/23 Audit Plan. The HR assurance review had followed up 35 recommendations from a previous report, it noted some policies were out of date, but good progress had been made. Substantial assurance had been given for management of external events, which included management of the Highest Point Festival. The Council Resilience Review identified some improvement needed on templates for business continuity plans.”

### 10 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIR

There were no items of urgent business.

### 11 DECLARATIONS OF INTEREST

There were no declarations of interest.

With the agreement of the Committee the Chair advised that items 5 (Exclusion of the Press and Public) and 6 (Risk Management Q1 Update) would be considered later in the meeting.

## 12 INTERNAL AUDIT PROGRESS REPORT

The Engagement Manager presented a report advising members of the latest monitoring position regarding the Internal Audit plans 2022/23 and 2023/24. The progress report covers the period of May 2023 to July 2023 during which period 5 reviews have been finalised:

- Assurance Mapping Exercise – Assurance rating not provided  
The assurance map compliments the risk register.
- Council Time Recording Systems – Moderate Assurance  
Improvements needed in recording annual leave, flexitime and sickness.  
The policies and guidelines reviewed were out of date although they have now been reviewed by HR and will be approved next week.
- Risk Management – Moderate Assurance  
Good progress has been made as this previously received no assurance.
- Project Management – Moderate Assurance  
Good templates are available but are not always used and the objectives are not always documented. Decisions made by the Leadership Team need better documentation. Although training and team support are good 'work shadowing' for novices is recommended.
- Data Protection and Policy Follow-up Review – Limited Assurance  
This was reviewed in May 2020 with 48 recommendations of which 31 are still outstanding. The privacy notes on the website have been reviewed. The information asset register and dataflow mapping still need to be completed.
- Appendix D demonstrates that all recommendations have been followed up with most in progress although not all are due yet. Cybersecurity is confidential but all recommendations due have been completed with the rest in progress.

### **Resolved:**

- (1) That the latest monitoring position in relation to the 2022/23 and 2023/24 audit plans be noted.

## 13 INTERNAL AUDIT ANNUAL REPORT 2022/23

The Head of Internal Audit introduced the Internal Audit Annual Report and Head of Internal Audit Opinion 2022/23.

The report advised that:

- 71 recommendations have been made as part of the reviews undertaken during 2022/23. Of these none were critical and 10 were high risk recommendations in relation to the reviews of Collection of Income and Reconciliations, Council Tax, Efficiency Programme Delivery, Council Resilience, Recruitment and Project Management.

- During the year follow up reviews have been undertaken and 33 actions have been implemented or superseded during 2022/23.
- The total number of recommendations yet to be implemented as of March 2023 is 61, with 41 of these not yet due; of the remaining 20 recommendations 18 of these relate to the previous in-house audit team and do not have a risk rating. The two which have a risk rating are one medium and one low.

The assurance level for 2022/23 is moderate although previously the rating was limited so although there are some areas of weakness things are moving in a positive direction.

***Resolved:***

- (1) That the Internal Audit Annual Report and Head of Internal Audit Opinion 2022/23 be noted.

#### **14 COUNTER FRAUD ANNUAL REPORT 2022/23**

The Corporate Fraud Manager introduced the Counter Fraud Annual Report 2022/23 and the Business Plan 2023/24

The Corporate Fraud, or Corporate Enquiry Team, also works in partnership with the Housing Department and Social Housing providers to investigate tenancy fraud. The report details performance and counter fraud activity undertaken by the Fraud Team/Corporate Enquiry Team during 2022/23.

The team of 7 members had of performance target of collection of £110k of overpayments but have actually achieved £623,359k in 2022/23. These included areas such as Council Tax Support, Council Tax Benefit, Housing Benefit, Covid Business Grants, Business Rates and Right to Buy. With regard to Right to Buy £549k was saved as a result of investigations by the Team who retained the housing stock as an asset for the council.

***Business Plan***

The Business Plan had been produced to document the work of the Corporate Enquiry Team and to outline the responsibilities and key objectives for the team in coming years. It provided financial and performance information and a risk analysis of possible events that may adversely affect the service in the future.

The 2023/24 proposed budget for the Corporate Enquiry Team Shared Service was £172,270 which was a reduction from last year. The costs were shared between Preston 40%, Lancaster 40% and Fylde 20%.

***Resolved:***

- (1) That the Counter Fraud Annual Report 2022/23 be noted.
- (2) That the Business Plan 2023/24 be noted.

**15 CIPFA FINANCIAL MANAGEMENT CODE**

The Chief Finance Officer gave a report on the CIPFA Financial Management Code, which aims to ensure a high standard of financial management in local authorities. The purpose of the report was to provide an assessment of the Council's current compliance with the code, together with areas for improvement.

There are 6 principle, supported by 7 areas of focus and further key lines of enquiry. Appendix A listed the 'Rag Rating' self-assessment approach where Green illustrated Compliance was being demonstrated, Amber Minor to moderate improvements needed and Red Moderate to significant improvements required. Previous red areas had now been revised down, one to amber and one to green.

Having considered the principles of the Financial Management Code and the Financial Management Standards that underpin these principles the s151 Officer had considered that although there were areas for improvement the Council complied with the Financial Management code with significant prospects for improvement.

***Resolved:***

- (1) That the report and the assessment carried out at Appendix A of the Council's level of compliance, compared to the Standards contained in CIPFA's Financial Management Code, is consistent with its understanding, be noted.

**16 EXCLUSION OF THE PRESS AND PUBLIC**

It was moved by Councillor David Whitaker, seconded by Councillor Peter Jackson and resolved:

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 two items of business (Minutes 17 and 18), on the grounds that they could involve the possible disclosure of exempt information as defined in paragraph 3 of Schedule 12A of that Act.

***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 two items of business (Minutes 17 and 18), on the grounds that they could involve the possible disclosure of exempt information as defined in paragraph 3 of Schedule 12A of that Act.

**17 RISK MANAGEMENT Q1 UPDATE**

The Chief Finance Officer presented a report which updated the Committee on the Strategic Risk Register. Since the previous report received on 24 May the following

risks were listed on the restricted register with target risk level and risk owners listed:

- SR09 – Risks relating to cybersecurity.
- SR22 – Risks relating to the Eden Project.

Members queried the following:

- SR23 – Corporate Health and Safety – should it be restricted? It was decided that this was not necessary but that the description of the risk should be framed differently.
- SR11 – International and national issues – as this risk cannot be mitigated against it is kept in the red area however a comment will be added to say that it is not feasible to mitigate against this risk as it is external.

***Resolved:***

- (1) That the Risk Management Update report be noted.

**18 ANNUAL GOVERNANCE STATEMENT 2022/23**

The Monitoring Officer introduced the Annual Governance Statement 2022/23.

The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, required the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

There had been significant progress since the last Governance Statement. With regard to HR works 16 actions remained to be completed out of 35. There were 8 minor governance issues to complete from last year of which 3 or 4 had been completed already.

Under the 'Raising Concerns' policy an exempt item regarding administration of local markets was briefly discussed and it was agreed to add an action to the minor governance issues accompanying the AGS.

Members pointed out that the 'Raising Concerns' policy was difficult to locate on the Council's website.

It was moved by Councillor David Whitaker, seconded by Councillor Ruth Colbridge and resolved as follows.

***Resolved:***

- (1) That the draft Annual Governance Statement 2022/23 with relevant additions be approved.

**Note:** At this point the press and public were re-admitted to the meeting.

**19 AUDIT COMMITTEE ASSURANCES IN RELATION TO THE FINANCIAL REPORTING PROCESS**

The Chief Finance Officer presented a report which summarised how the Committee gained assurance, as 'those charged with governance', from management in order to fulfil its responsibilities in relation to the financial reporting process.

A table of self-assessment questions and responses was appended to the report for the Committee's consideration.

The Council had received one allegation under the Whistleblowing (Raising Concerns Policy). This was currently being investigated in accordance with the policy.

Members were advised that the responses demonstrated that the Committee could gain assurance from management in order to fulfil its responsibility in respect of the financial reporting process.

***Resolved:***

- (1) That the report and appendices be noted.

**20 STATEMENT OF ACCOUNTS UPDATE**

The Chief Finance Officer presented a report which provided the Committee with an updated position on the progress of the audit of the 2019/20/ 2020/21 and 2021/22 Statement of Accounts and the position regarding the 2022/23 Statement of Accounts.

All of the above Statements of Accounts were subject to formal objections by a local Council Taxpayer. A meeting was due to be held last week but was cancelled and rescheduled for early August 2023.

Although a substantial amount of work had been undertaken to address the 2019/20 and 2020/21 Statements of Accounts neither the s151 Officer nor key members of the Finance Team were aware of any audit work having been undertaken on the 2021/22 Financial Statements to date. As noted in previous updates this lack of work on the 2021/22 Financial Statements should be of concern to the Committee as this significant volume of work would need to be undertaken at some point which would severely impact on staff. KPMG would also require both the 2021/22 and 2022/23 audits to be concluded before they could commence their work in 2023/24.

The closedown of the 2022/23 Financial Statements was progressing and the aim was to have the draft statements published on the Council's website by 31 July 2023.

***Resolved:***

- (1) That the progress of the 2019/20, 2020/21 and 2021/22 Statement of Accounts be noted.

- (2) That the progress on the preparation and closure of the 2022/23 Statement of Accounts be noted.

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Chair

(The meeting ended at 7.15 p.m.)

**Any queries regarding these Minutes, please contact  
Democratic Services - email [democracy@lancaster.gov.uk](mailto:democracy@lancaster.gov.uk)**