

AUDIT COMMITTEE

6.00 P.M.

21ST MAY 2025

PRESENT:- Councillors Paul Stubbins (Chair), David Whitaker (Vice-Chair),
Ruth Colbridge, Peter Jackson and Colin Hartley
Dave Brookes (Substitute)

Apologies for Absence:

Councillors Brett Cooper and Isabella Metcalf-Riener

Officers in attendance:

Paul Thompson	Chief Officer - Resources and Section 151 Officer
Luke Gorst	Chief Officer - Governance and Monitoring Officer
Rephael Walmsley	Senior Solicitor and Deputy Monitoring Officer
Claire Dubelbeis	Projects and Performance Manager (minute 1-5)
Louise Cobain	Head of Internal Audit
Fiona Hill	Engagement Manager
Sarah Moorghen	Democratic Support Officer

Also in attendance:

Richard Lee	KPMG
Badar Abbas	KPMG

1 APPOINTMENT OF VICE-CHAIR

The Chair requested nominations for the position of Vice-Chair of the Audit Committee for the municipal year 2025/26.

It was proposed by Councillor Dave Brookes and seconded by Councillor Ruth Colbridge:

“That Councillor David Whitaker be appointed Vice-Chair of the Audit Committee for the municipal year 2025/26”.

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

Resolved:

That Councillor David Whitaker be appointed Vice-Chair of the Audit Committee for the municipal year 2025/26.

2 MINUTES

The minutes of the meeting held on 19th March 2024 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 STRATEGIC RISK MANAGEMENT

The Projects and Performance Manager provided an update on the Authorities progress in updating the Strategic Risk Register.

The Committee was advised that there were currently 26 Strategic Risks open on the register.

The Council's Strategic Risk Register was appended to the report for the Committee's consideration and showed the changes made during the last quarter covering the period 24th February 2025 to 12th May 2025.

A summary of the main changes was provided, and Members asked questions on specific items of risk.

Resolved;

That the report be noted.

6 INTERNAL AUDIT PROGRESS REPORT

The Engagement Lead presented a report which advised Members of the latest position regarding the Internal Audit plans for 2024/25 and 2025/26 and provided a summary of Internal Audit activity which complied with the requirements of the Public Sector Internal Audit Standards.

The Internal Audit Progress Report was appended to the report for the Committee's consideration and covered the period March 2025 to May 2025.

The Committee was advised that one report had been finalised. There were also a number of reports being planned, in progress or at the draft report stage.

There were no proposed changes to the existing Internal Audit Plan at this stage.

Members asked a number of questions on the finalised reviews and with regard to procurement cards it was noted that the Committee was pleased that the Chief Executive was taking a personal interest in the matter.

Resolved:

That the latest monitoring position in relation to the 2024/25 and 2025/26 Audit Plans be noted.

7 ANNUAL REVIEW OF THE INTERNAL AUDIT CHARTER

The Head of Internal Audit presented a report on the annual review of the Internal Audit Charter.

The Committee was advised that the Internal Audit Charter was last approved at the Audit Committee meeting in March 2024. The Charter had been reviewed, and updated in accordance with the Global Internal Audit Standards (Public Sector) which were introduced in April 2025, and no changes had been deemed necessary for 2025/26.

The Internal Audit Charter was appended to the report for the Committee's consideration.

It was moved by Councillor Peter Jackson, seconded by Councillor Colin Hartley and resolved as follows.

Resolved:

That the Internal Audit Charter be approved.

8 ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT AND ASSURANCE

The Head of Internal Audit presented a report on the Internal Audit Opinion for 2024/25.

The Committee was advised that the purpose of the Opinion was to contribute to the assurances available to the Accountable Officer and the Council which underpinned the Council's own assessment of the effectiveness of the organisation's system of internal control. This Opinion would assist the Council in the completion of its Annual Governance Statement (AGS), along with its consideration of organisational performance, regulatory compliance and the wider operating environment.

It was reported that the overall opinion for the period 1st April 2024 to 31st March 2025 was Limited Assurance.

Members asked questions about the assurance level including whether directing internal audit to look at risky areas first was in part to the reason for the lower assurance level.

Resolved:

That the report be noted.

9 REVIEW OF INTERNAL AUDIT EFFECTIVENESS

The Engagement Manager gave a presentation on the annual review of Audit Committee effectiveness and performance.

All Members of the Committee had been asked to complete a survey based on the CIPFA publication Audit Committee: Practical Guidance for Local Authorities and Police.

In total four anonymous responses had been received. Overall, the results were very positive with improvements noted across all questions when compared to the 2024 results. This indicated a greater understanding of the Audit Committee's roles and responsibilities.

Members asked a number of questions regarding selection of members on Audit Committee, training and co-opted members with Internal Audit agreeing to look into how other Local Authorities use co-opted members.

Resolved:

That the report be noted.

10 ANNUAL REVIEW OF AUDIT COMMITTEE PERFORMANCE

The Engagement Manager presented a report on the Audit Committee effectiveness and performance.

See minute 9 above.

11 CIPFA FINANCIAL MANAGEMENT CODE

The Chief Finance Officer presented a report on The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code which aimed to ensure a high standard of financial management in Local Authorities. The report provided an assessment of the Council's current compliance with the code together with areas for improvement.

Members were advised that the report was a self-assessment and review of the Council's compliance with the standards as set out in the FM Code. This report was to be considered alongside the 2024/25 Annual Governance Statement (AGS).

The results of the assessment were appended to the report for the Committee's consideration and set out the review updated for the 2024/25 position and included the activities undertaken in preparation for the 2025/26 budget.

The Chief Finance Officer talked through the report and advised the Committee on the changes to the current ratings.

Members discussed a number of items including risks relating to Mainway/Skerton School and emphasised that it should be clear in the document that Cabinet was responsible for setting strategic direction.

Resolved:

- (1) That the following paragraph be added to Section C - Governance and Financial Management Style;

“The Council is compiling a comprehensive overview of all of its processes and procedures, and a structured review programme, to ensure that they remain fit for purpose and promote continuous improvement.”

- (2) That the report be noted.

12 ANNUAL GOVERNANCE STATEMENT 2024/25

The Monitoring Officer presented a report which required the Committee to approve the draft Annual Governance Statement (AGS) for 2024/25 for inclusion in the Annual Statement of Accounts following a review of the Council's governance arrangements.

The Committee was advised that in accordance with the Accounts and Audit Regulations 2015 the Council was required to prepare an AGS for publication alongside

the Statement of Accounts. The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) jointly issued a Framework and guidance in relation to the preparation of the AGS.

The Draft Annual Governance Statement 2024/25 was appended to the report for the Committee's consideration.

Members asked a number of questions on the draft AGS in particular with regard to spending on procurement cards and whether more detail on this could be contained in future reports.

Resolved:

That the Annual Governance Statement for 2024/25, subject to the following amendments:

- To Principle E: Developing the entity's capacity (page 7 of the AGS) add the following paragraph: *"The Council is compiling a comprehensive overview of all of its processes and procedures, and a structured review programme, to ensure that they remain fit for purpose and promote continuous improvement."*
- To the Other Governance Issues amend the Policy Review paragraph (page 15 of the AGS) to: *"Policy Review - this is an ongoing task to compile a comprehensive list of Council policies and procedures with a structured programme of required review dates for all policies. Progress in completing the programme and reviews to be monitored and reported."*

be recommended for adoption and for signing by the Chief Executive and the Leader of the Council, subject to any minor non-material changes.

13 AUDIT COMMITTEE ASSURANCES IN RELATION TO THE FINANCIAL REPORTING PROCESS

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

The Committee was advised that the Council's external auditor, KPMG, was required to comply with the requirements of the International Standards on Auditing (UK) (ISA), when conducting the audit of the Council's financial accounts for the year ended 31 March 2025.

It was reported that under the ISA's KPMG had specific responsibilities to communicate with the Audit Committee on certain specific matters. As part of the risk assessment procedures, KPMG was required to obtain an understanding of the management processes, and the Audit Committee's oversight, of a number of the following areas in respect of the year ended 31 March 2025;

- General Enquiries of Management.
- Fraud.
- Laws and Regulations.
- Related Parties; and
- Accounting Estimates.

To support this management had reviewed a number of documents and compiled a series of questions and responses covering the 2024/25 financial year. These were appended to the report for the Committee's consideration.

Resolved:

That the report be noted.

14 STATEMENT OF ACCOUNTS UPDATE

The Chief Finance Officer presented a report which updated the Committee on the position regarding the outstanding issues relating to the 2020/21, 2021/22, 2022/23 and 2023/24 Statement of Accounts, and the progress in preparation of the 2024/25 Financial Statements.

The Committee was advised the audits of the 2019/20 – 2022/23 Financial Statements had been concluded. The former external auditors, Deloitte's had issued unmodified opinions for 2019/20 and 2020/21 and in accordance with the backstop arrangements had issued disclaimed opinions for the financial years 2021/22 and 2022/23.

The Committee was advised that as previously reported the delays in issuing the audit opinions and addressing the objection to the prior year's financial statements had impacted KPMG's ability to undertake work on the 2023/24 Financial Statement. Similar to previous years audits a backstop date of 28th February 2025 was provided to issue an audit opinion. Regrettably this deadline was not achieved.

Members were advised on the outstanding objections to the Financial Statement as well as the fees associated with disclaimed audits.

The Committee was also advised on the preparation of the 2024/25 Statement of Accounts and that the deadline for this was 30th June 2025.

Resolved:

That the report be noted.

Chair

(The meeting ended at 7.35 p.m.)

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