

**AUDIT COMMITTEE**

Minutes of the proceedings at a meeting of the Audit Committee held in the District Council Chamber - South Lakeland House, on Thursday, 25 July 2019, at 6.30 p.m.

Present

Councillors

Stephen Coleman (Chairman)  
Tracy Coward (Vice-Chairman)

John Holmes  
Kevin Holmes

Kevin Lancaster  
Matt Severn

An apology for absence was received from Councillor Philip Dixon.

Officers

Una Bell	Case Management Team Leader
Sarah Berry	Specialist, Performance, Innovation and Commissioning
Lawrence Conway	Chief Executive
John Davies	Case Management Officer
Linda Fisher	Legal, Governance and Democracy Lead Specialist (Monitoring Officer)
Claire Gould	Performance, Innovation and Commissioning Lead Specialist
Peter Hunt	Interim Chief Accountant
Claire Read	Finance Specialist
Helen Smith	Finance Lead Specialist (Section 151 Officer)
David Sykes	Director of Strategy, Innovation and Resources

Also in attendance were Jane Butterfield (Internal Audit Manager) and Jillian Burrows (External Audit Manager).

**Note - In the absence of the Chairman at the commencement of the meeting, the Vice-Chairman took the Chair.**

**AUD/1 MINUTES**

RESOLVED – That the Chairman be authorised to sign, as a correct record, the minutes of the meeting of the Committee held on 9 April 2019.

**AUD/2 DECLARATIONS OF INTEREST**

RESOLVED – That it be noted that Councillor John Holmes declared an interest in Minute No. AUD/13.

**AUD/3 LOCAL GOVERNMENT ACT 1972 - EXCLUDED ITEMS**

RESOLVED – That the item in Part II of the Agenda be dealt with following the exclusion of the press and public.

**AUD/4 TERMS OF REFERENCE**

RESOLVED – That the Terms of Reference for the Audit Committee be noted.

**AUD/5 PRESS AND PUBLIC**

RESOLVED - That, under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12 A of the Act as amended by the Local Government (Access to Information) (Variation) Order 2006 by virtue of the paragraph indicated.

**AUD/6 CUSTOMER CONNECT PROGRAMME MANAGEMENT**

- *Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information)*

Further to AUD/13 (2018/19), the Specialist (Performance, Innovation and Commissioning) presented an update on the progress of the Customer Connect Programme. She outlined the number of risks currently on the risk log and informed Members that since April four risks had been added to the register and three had been closed. She outlined the four risks which had been added and explained that they were all below the line of appetite and had appropriate mitigations in place, and she went on to outline the three risks that had been closed. The Specialist (Performance, Innovation and Commissioning) drew Members' attention to Appendix 2 to the report which outlined the Programme Expenditure and explained that the Lead Financial Specialist (Section 151 Officer) was updating the budgets for the new financial year.

RESOLVED – That the following be noted:-

(1) the Customer Connect Programme Workbook at Appendix 1 to the report, including:-

- programme summary;
- risk heat map;
- risks and issue log;
- dependency log;
- change log; and
- product log.

(2) the monthly Programme Finance Overview against the approved budget at Appendix 2 to the report.

**AUD/7 RE-ADMISSION OF PRESS AND PUBLIC**

RESOLVED – That the press and public be re-admitted to the meeting.

**AUD/8 AUDIT COMMITTEE 2019/20 WORK PROGRAMME**

The Lead Financial Specialist (Section 151 Officer) introduced the Audit Committee 2019/20 Work Programme and informed Members that the current version had been updated to reflect Lead Officers and to include dates of forthcoming Committee Meetings.

RESOLVED – That the progress against the 2019/20 Work Programme be noted.

**AUD/9            AUDIT COMMITTEE RISK REGISTER**

The updated Audit Committee Risk Register was presented by the Finance Lead Specialist (Section 151 Officer). The Risk Register had last been reviewed by the Committee on 5 December 2018 and the recommendations from that meeting had been included within the update.

The Finance Lead Specialist (Section 151 Officer) highlighted the risks which had been considered at the meeting in December 2018 and made particular reference to Risk AC 1 (the challenge from the committee is ineffective due to inexperience) she explained that training had been provided to the three new members of the Audit Committee and therefore there was not an increase in risk. Risk AC 2 (the ability of the Council to carry out its statutory requirements effectively due to limited resources as a result of funding of local government) she explained that this risk was below the line of appetite and had been reduced to reflect the Council's robust financial planning process. However, the risk remained, as the current financial situation remained uncertain. Risk AC 3 (Members identified the risks regarding the statutory timetable for final accounts reporting from the 2017/18 accounts being a month earlier) she explained that Officers had prepared the 2018/19 accounts by the end of May 2019 and therefore it was proposed that the risk was archived. The Finance Lead Specialist (Section 151 Officer) highlighted the risks which had, as agreed by the previous Audit Committee, been archived and informed Members that none of the archived risks needed to be reactivated.

RESOLVED – That the updated Audit Committee Risk Register be noted.

**AUD/10           RISK MANAGEMENT UPDATE**

The Support Services Case Management Officer presented the latest Strategic Risk Register. The Register contained all those risks above and below the line of risk tolerance. He explained that all risks above the line of tolerance had mitigations listed and the mitigations were designed to reduce the risk in terms of likelihood or impact or both and to reduce the risk from the current position on the risk matrix to the target position. The Support Services Case Management Officer informed Members that there were 15 risks listed at Appendix 1 to the report and he highlighted the six risks which were above the line of appetite. He went on to explain that a risk should reach its target position by the target date and for a risk to be managed on schedule the mitigations must be implemented by their due dates. Over 60% of the Strategic Risks were positioned below the risk tolerance which demonstrated the effective mitigation and regular review of the risks.

The Support Services Case Management Officer responded to questions raised by Members. In response to a question regarding the position of Risk 17 - Cyber Security Incident he stated that the Information and Communications Technology (ICT) arrangements were considered to be robust and were outlined in the next item on the Agenda: Internal Audit Recommendations Monitoring Report - Appendix 2. In addressing a query regarding the mitigation process regarding Risk 6 - Medium Term Financial Planning he explained that mitigations against the risk were continually monitored and in addition the Chief Executive added that the Council's finances were sound however it was acknowledged that there were risks, a number of which were out of the Council's control. In response to a question regarding Risk 5 – Impact of the Welfare Reform on communities the Support Services Case Management Officer advised Members that the Revenues and Benefits Department monitored the risk from a welfare perspective and the

Director of Strategy, Innovation and Resources added that a Building Financial Resilience group had been set up which was a multi-agency collaboration to reduce poverty.

RESOLVED – That the Strategic Risk Register, as at Appendix 1 to the report, be noted.

**Note - Councillor Stephen Coleman joined the meeting and resumed the Chair.**

## **AUD/11 INTERNAL AUDIT RECOMMENDATIONS MONITORING REPORT**

The Internal Audit Recommendations Monitoring Report was presented by the Finance Lead Specialist (Section 151 Officer). Internal Audit had made recommendations to improve governance arrangements and the report provided an update of the progress in implementing the recommendations. The Audit Committee, at their previous meeting, had requested a further report on Cyber Security which was included at Appendix 2 to the report. In addition an update regarding progress with the Review of Information Governance had been requested and was included at Appendix 3 to the report.

RESOLVED – That the following be noted:-

- (1) the progress made with implementing the Internal Audit Report recommendations, as set out in Appendix 1 to the report;
- (2) the report on Cyber Security at Appendix 2 to the report; and
- (3) the report on Assurance Review of Information Governance at Appendix 3 to the report.

## **AUD/12 INTERNAL AUDIT PROGRESS REPORT 2019/20**

Jane Butterfield, Internal Audit, introduced the Internal Audit Progress Report 2019/20. Appendix 1 of the report provided a summary of the progress against the Internal Audit Annual Plan as at 10 July 2019. She highlighted Appendix 2 to the report which contained the executive summaries of the two audit reports completed in the period: Empty Homes and Cash Receipting – Car Parking. Ms Butterfield went on to inform Members that Internal Audit would usually have provided an update to the Committee with the latest position relating to the implementation of outstanding recommendations however, due to illness, the report had been delayed and an update would be presented to the Committee at the September meeting.

Members gave consideration to the overall assurance assessment of the Empty Homes review and the definition of an empty home and requested that a management response be provided at the next meeting.

RESOLVED – That the following be noted:-

- (1) the progress achieved in 2019/20 in delivering the Audit Plan and the outcomes of completed audit reviews, as set out in Appendix 1 to the report; and
- (2) the audit reports, as set out in Appendix 2 to the report.

**AUD/13****STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2018-19**

***Note – Councillor John Holmes declared a non-pecuniary interest in this item by virtue of the fact he is a nominated Director of South Lakes Housing. He remained in the meeting during discussion and voting on the item.***

The Finance Lead Specialist (Section 151 Officer) introduced the audited Statement of Accounts and Annual Governance Statement for 2018/19 and Appendices 1, 2 and 3, which had been circulated to the Members prior to the meeting. The unaudited Statement of Accounts for 2018/19 had been approved by the Finance Lead Specialist (Section 151 Officer) on 30 May 2019. The accounts had been subject to public inspection from 1 June 2019 allowing the opportunity for the general public to raise objections, questions and comments with the External Auditor. Legislation required that accounts be considered and approved by Members and published no later than 31 July 2019.

The Finance Lead Specialist (Section 151 Officer) drew Members' attention to the net pension liability which included the second year impact of the payment of an additional sum in regards to future years' liabilities and a past service cost as a result of a recent national court case which was impacting on all Local Government Pension Schemes. In addition she highlighted that the revaluation of the lake assets had not been processed and informed Members that this had been corrected and the Statement of Accounts amended.

The Finance Lead Specialist (Section 151 Officer) went on to draw Members' attention to further documents which had been circulated at the meeting. One being the letter of representation which required approval and signature by both the Section 151 Officer and Chairman of the Audit Committee and formed part of the overall assurance required by the External Auditor in providing their opinion. She went on to highlight the Annual Governance Statement Recommendation Implementation Progress Report at Appendix 3 to the report and outlined the actions which had been identified and a new action regarding a review of Local Government Ethical Standards.

The Finance Lead Specialist (Section 151 Officer) responded to questions raised by Members.

RESOLVED – That

- (1) the audited Statement of Accounts for 2018/19 be approved;
- (2) the letter of representation, as at Appendix 2 to the report, be approved;
- (3) the Chairman of the Audit Committee be authorised to sign the letter of representation and the Statement of Accounts on behalf of the Committee;
- (4) in the event of further amendments following the final audit findings report, the Chairman of the Audit Committee be authorised to re-sign the Statement of Accounts; and
- (5) the Annual Governance Statement action plan, as at Appendix 3 to the report, be noted.

**AUD/14 EXTERNAL AUDIT OPINION ON ACCOUNTS - AUDIT FINDINGS REPORT**

Jillian Burrows, External Audit Manager presented the Audit Findings report, which had been circulated to Members prior to the meeting. The report set out the key findings and other matters arising for the year ending 31 March 2019 and provided Members with observations made by Grant Thornton in delivering their responsibilities as the Council's external auditors. The report also set out emerging issues and developments that were relevant to the Council. The External Audit Manager commented that it was a good report for the Council.

RESOLVED – That the Audit Findings made by the External Auditors for the year ending 31 March 2019 be noted and received.

**Note - The Committee adjourned for a short break during which the Chairman and Finance Lead Specialist (Section 151 Officer) signed the letter of representation.**

**AUD/15 PLANNED AUDIT FEE FOR 2019/20**

Jillian Burrows, the External Audit Senior Manager, presented a letter from Grant Thornton on the planned audit fee for 2019/20. Public Sector Audit Appointments Limited (PSAA) had, following a consultation process, published the 2019/20 scale audit fees at the end of March 2019. Individual scale fees had been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. The Council's scale fee for 2019/20 had been set by PSAA at £43,005.

RESOLVED – That the Annual Audit Fee for 2019/20 be noted.

**AUD/16 OTHER SIGNIFICANT FINANCIAL ISSUES**

No other significant financial issues were reported.

The meeting ended at 7.28 p.m.