

AUDIT COMMITTEE

Minutes of the proceedings at a meeting of the Audit Committee held in the District Council Chamber, South Lakeland House, Kendal, on Thursday, 19 September 2019, at 6.30 p.m.

Present

Councillors

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

John Holmes

Kevin Holmes

Apologies for absence were received from Councillors Philip Dixon and Kevin Lancaster.

Officers

Sarah Berry	Performance, Innovation and Commissioning Specialist
Inge Booth	Legal, Governance and Democracy Specialist
Linda Fisher	Legal, Governance and Democracy Lead Specialist (Monitoring Officer)
Claire Gould	Performance, Innovation and Commissioning Lead Specialist
Julia Krier	Legal, Governance and Democracy Specialist
Helen Smith	Finance Lead Specialist (Section 151 Officer)
David Sykes	Director of Strategy, Innovation and Resources

Also in attendance were Peter Harrison (Internal Audit Manager) and Gareth Kelly (External Audit Manager).

AUD/17 MINUTES

RESOLVED – That the Chairman be authorised to sign, as a correct record, the minutes of the meeting of the Committee held on 25 July 2019.

AUD/18 DECLARATIONS OF INTEREST

RESOLVED – That it be noted that no declarations of interest were raised.

AUD/19 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/20 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/21 CUSTOMER CONNECT PROGRAMME MANAGEMENT

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

Members were provided with copies of a revised version of Appendix 2 to the report.

Further to AUD/13 (2018/19), the Projects and Innovation Officer, acting as Customer Connect Programme Officer, presented an update report on the management of the Customer Connect Programme and, specifically, the Programme's risks and programme spend against budget. She presented a live version of the risk register which contained the most up to date information.

The Performance, Innovation and Commissioning Lead Specialist, acting as Customer Connect Programme Manager, and the Customer Connect Programme Officer responded to queries raised by Members of the Committee.

RESOLVED – That the following be noted:-

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

- summary page;
- risk heat map;
- risk log;
- issue log;
- dependency log;
- change log; and
- product log; and

- (2) the monthly Programme Overview of Spend against the approved budget at Appendix 2 to the report.

AUD/22 RE-ADMISSION OF PRESS AND PUBLIC

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

AUD/23 AUDIT COMMITTEE 2019/20 WORK PROGRAMME

The Finance Lead Specialist (Section 151 Officer) introduced the 2019/20 Work Programme. She informed Members that the Internal Audit Progress Report being presented at this meeting did not include information relating to the latest position on the implementation of previous internal audit recommendations. This was due to staff resource implications, and Members of the Committee would be provided with a written update during October 2019. She also advised that the Bi-annual Review of the Whistleblowing Policy, which had been due to be presented at this meeting, would instead be brought to the December meeting of the Committee.

RESOLVED – That progress against the Audit Committee's 2019/20 Work Programme be noted.

AUD/24 ANNUAL AUDIT LETTER FOR SOUTH LAKELAND DISTRICT COUNCIL YEAR ENDING 31 MARCH 2019

The External Audit Annual Letter, which summarised the key findings arising from work carried out by External Audit at the Council for the year ended 31 March 2019, was presented by Garth Kelly, External Audit.

The key messages were that External Audit had provided an unqualified opinion on the Council's financial statements on 30 July 2019. External Audit was satisfied that the Council had in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2019. External Audit had certified that it had completed the audit of the accounts of South Lakeland District Council in accordance with the requirements of the National Audit Office's Code of Audit Practice on 30 July 2018.

In response to a query, Mr Kelly explained that additional work was required to complete the 2018/19 audit which would increase the audit fee. The Letter included reference to £1,500 for additional work relating to the McCloud ruling on public sector pensions and the potential impact on the Council's pension liability. Additional fees of £3,000 were also being requested on top of this for additional work identified by a review of standards by the Financial Reporting Council relating to pension and the use of experts in the valuation of property, plant and equipment. The final Audit Letter would be distributed to all Members of the Council.

RESOLVED – That the contents of the Annual External Audit Letter for the year ended 31 March 2019 be noted.

AUD/25 EXTERNAL AUDITOR'S PROGRESS REPORT AND UPDATE

Gareth Kelly, External Audit, presented a report providing the Committee with a summary of the progress made by Grant Thornton in delivering their responsibilities, in line with the standard timetable, as the Council's External Auditors as of March 2019. The report also included details of emerging national issues and developments that might be relevant to the Council.

RESOLVED – That the progress made by External Auditors as of September 2019 be noted.

AUD/26 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

The Finance Lead Specialist (Section 151 Officer) presented a report which provided the Committee with assurance to enable it to endorse the view that the Council has an effective system of Internal Audit.

The Council's internal audit service was provided by TIAA Ltd under a contract which had commenced on 1 April 2016.

The Accounts and Audit Regulations 2015 included a requirement for the Council to conduct a review of the effectiveness of its system of internal control at least once a year. The internal audit function was a key element of that internal control. For the purposes of the review, the areas of assurance which had been relied upon were as follows:-

- Public Sector Internal Audit Standards;
- Audit Charter;
- Head of Internal Audit Opinion – 2018/19; and
- Performance Indicators.

A checklist based on the CIPFA Statement on the Role of the Head of Internal Audit 2010 was attached at Appendix 1 to the report, together with self-assessment of compliance; all responses regarding conformance were positive.

RESOLVED – That the conclusion that the Council has an effective system of internal audit in place that complies with the principles of the Public Sector Internal Audit Standards be endorsed.

AUD/27 INTERNAL AUDIT PROGRESS REPORT 2019/20

Peter Harrison, Internal Audit, introduced the Internal Audit Progress Report 2019/20. Appendix 1 to the report provided a summary of the progress against the Internal Audit Annual Plan as at September 2019.

Mr Harrison referred to staff resources issues within his team as raised at AUD/23 above, reiterating that an interim update on progress on implementation of previous internal audit recommendations would be reported to the Committee's December meeting, with an interim update being sent to Members in October 2019. He acknowledged slippage, however, recognised the need to ensure that the work was completed, assuring Members that the Plan would be delivered by the end of March 2020. The Finance Lead Specialist (Section 151 Officer) informed Members that there had been no areas of concern in relation to progress on implementation of previous recommendations when the monitoring report had been presented to Committee by Council staff at the last meeting. She further reported that officers were making themselves available as necessary in order to assist in completing the schedule by the end of the financial year.

Mr Harrison presented an executive summary relating to the Assurance Review of Household Waste Collection. The audit report had resulted in an assessment of reasonable assurance, with two important and one routine action points having been identified. Concern was expressed with regard to Recommendation No.3 relating to fleet tracking data and speeding instances. The Director of Strategy, Innovation and Resources informed the Committee that once staff had been made aware that there was an emphasis on checking tracking data, there had been a reduction in these figures. This was continually being re-emphasised to staff, and he undertook to ensure that the concern raised by the Audit Committee was conveyed to managers and passed on to drivers.

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 report, as set out in Appendix 2 to the report.

AUD/28 ANNUAL REVIEW OF ANTI-FRAUD POLICY AND ACTIVITY

The Finance Lead Specialist (Section 151 Officer) introduced a report detailing the results of the annual review of the Council's Anti-Bribery, Fraud and Corruption Policy and statistical data on cases where sources of information had indicated that fraudulent activity might have been occurring.

The last review of the Anti-Bribery, Fraud and Corruption Policy had been conducted by the Audit Committee in September 2018, with no amendments required. The Policy, attached as Appendix 1 to the report, had been updated to reflect new job titles and roles arising from Phase 1 of Customer Connect. CIPFA's Counter-Fraud Assessment Tool was also attached at Appendix 4. The Counter Fraud Strategy approved by the Audit Committee in September 2017 had also been updated to reflect new job roles and was attached at Appendix 2. Attached at Appendix 3 to the report was the Anti-Money Laundering Policy, also updated to reflect new job roles and titles. In addition, the Fighting Fraud and Corruption Locally 2016-19 and a summary of work undertaken and the outcome of investigations excluding National Fraud Initiative investigations were attached at Appendices 5 and 6 respectively.

A question having been raised as to whether the Council's procedures adequately covered the issue of fraud and cyber attacks, the Finance Lead Specialist (Section 151 Officer) explained that arrangements had been thoroughly reviewed and that appropriate policies were in place with regard to internet use, data security and prevention of cyber crime. The Authority had, in addition, taken out cyber security insurance cover this year. In response to a positive comment regarding identification of fraud, she explained that the Department of Work and Pensions having taken over responsibility for sanctioning Housing Benefit cases in 2015, the areas being examined by the Council had changed and that focus was on those of highest risk. The Finance Lead Specialist undertook to address a suggestion raised with regard to anti-fraud procedures in the light of recent changes in staffing.

RESOLVED – That

(1) the following be noted:-

(a) the review of the Anti-Bribery, Fraud and Corruption Policy and the Anti-Money Laundering Policy;

(b) the review against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption Counter-Fraud Assessment Tool and Fighting Fraud and Corruption Locally 2016-29 Checklist; and

(c) anti-fraud activity; and

(2) the amendments to the Anti-Bribery, Fraud and Corruption Policy and the Anti-Money Laundering Policy be recommended to full Council for approval.

AUD/29 OTHER SIGNIFICANT FINANCIAL ISSUES

The Finance Lead Specialist (Section 151 Officer) informed the Committee of the recent Government announcement of a one-year settlement for Local Government. The reform of Local Government funding had been delayed by 12 months to April 2021, which would have a significant impact on the Council's finances for 2020/21. Initial indications were, however, that the temporary settlement would leave the Authority in a better financial position in the short term.

The Finance Lead Specialist (Section 151 Officer) further informed Members about the Redmond Review which was being carried out on behalf of the Government into the quality of local authority financial reporting and external audit. A call for views had been issued earlier in the week seeking a response by 22 November, before the next meeting of the Audit Committee. She sought direction from Members on the preparation and submission of an appropriate response.

19.09.2019

Audit Committee

RESOLVED – That

- (1) the verbal update be noted;
- (2) the Finance Lead Specialist (Section 151 Officer) be instructed to send a link to the Redmond Review to Members of the Committee; and
- (3) the Finance Lead Specialist (Section 151 Officer), in consultation with the Chairman of the Committee, be authorised to prepare a draft response to the Review, for circulation for comment to Committee Members prior to onward submission to the Review Secretariat.

The meeting ended at 7.30 p.m.