

**AUDIT COMMITTEE**

Minutes of the proceedings at a meeting of the Audit Committee held in the Lowther Room, Kendal Town Hall, Kendal, on Thursday, 28 July 2022, at 6.30 p.m.

Present

Councillors

Tracy Coward (Vice Chair, in the Chair)

Tracy Coward

Kevin Holmes

Kevin Lancaster

Pete Endsor

Kevin Lancaster

Apologies for absence were received from Councillors Stephen Coleman (Chairman).

Officers

Lawrence Conway

Chief Executive

John Davies

Case Management Officer Support Services

Julia Krier

Legal, Governance and Democracy Specialist

Adam Moffatt

Legal, Governance and Democracy Specialist

Claire Read

Finance Specialist (Deputy Section 151 Officer)

Helen Smith

Finance Lead Specialist (Section 151 Officer)

Also in attendance were Jane Butterfield (Internal Audit) and Hebe Dyson (External Audit).

**AUD/1 MINUTES**

***Note – in response to a query raised under Minute No. AUD/45 regarding Taxi Licensing, Members were provided with a written response.***

RESOLVED – That

- (1) the Chairman be authorised to sign, as a record, the minutes of the meeting of the Committee held on 21 April 2022.

**AUD/2 DECLARATIONS OF INTEREST**

No declarations of interest were raised.

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

There were no Excluded Items on the Agenda.

**AUD/4 TERMS OF REFERENCE**

Members raised a query regarding the Membership section of the Terms of Reference which had not been updated since the changes to the Membership of the Audit Committee. The Legal, Governance and Democracy Specialist (Deputy Monitoring Officer) undertook to look into the matter.

RESOLVED – That the Terms of Reference for the Audit Committee be noted subject to the update to the Membership section.

**AUD/5 AUDIT COMMITTEE WORK PROGRAMME 2022/23**

The Finance Lead Specialist (Section 151 Officer) introduced the Audit Committee 2022/23 Work Programme and informed Members that the majority of the items noted in the Programme were included on the agenda for the meeting. She noted a few exceptions, which included the Audit Fee Letter, an update for which had been included within the External Audit Progress Report (July 2022) and the Annual Review of Anti-Fraud Policy and Activity which had been delayed until the September meeting of the Audit Committee.

The Finance Lead Specialist (Section 151 Officer) informed Members that the Bi-Annual Review of the Whistleblowing Policy would be removed from the Programme due to the limited time available to update the Policy with vesting day of the new Westmorland and Furness Council in April 2023.

RESOLVED – That the progress against the 2022/23 Work Programme be noted.

## **AUD/6 RISK MANAGEMENT UPDATE**

The Case Management Officer (Support Services) presented the latest Strategic Risk Register. The Register contained all those risks above 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 matrix to the target position.

The Case Management Officer (Support Services) informed Members that there were 7 risks above the line of tolerance out of 18 risks which represented a change from Quarter 4 of 2021/22. The increase in both the total number of risks and those above appetite was due to the identification of three new risks, each of which had been presented above the line of tolerance. The three new risks were:-

- (1) SLDC – Organisational Carbon Reduction Target – that South Lakeland District Council was not able to achieve the current Council Plan target of carbon neutrality by 2030;
- (2) SLDC – Whole District Carbon Reduction Target – that South Lakeland will not achieve its Council Plan target of carbon neutrality across South Lakeland by 2037; and
- (3) Cost of Living Impacts on communities, Council operations and resources.

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

## **AUD/7 AUDIT COMMITTEE RISK REGISTER**

The Finance Lead Specialist (Section 151 Officer) presented the updated Audit Committee Risk Register, with the Audit Committee having last reviewed the Risk Register in December 2021.

The Finance Lead Specialist (Section 151 Officer) informed Members that the register currently had 4 live risks which were:-

- challenges due to inexperience;
- inability to carry out statutory requirements;

- the effectiveness of the Audit Committee due to the impact of the Covid-19 pandemic; and
- the effectiveness of the Audit Committee being limited by the resource implications of implementation of Local Government Reorganisation in Cumbria and the risk of reduced support to the Committee due to increased service demands elsewhere in the organisation.

The Finance Lead Specialist (Section 151 Officer) suggested that the risk relating to the impact of the Covid-19 pandemic could be archived as regular meetings of the Audit Committee had resumed, the payment of grants was coming to an end and that Internal and External Audit had been working effectively both in person and virtually.

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

## **AUD/8**

### **STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2021/22**

The Finance Specialist (Deputy Section 151 Officer) introduced the unaudited Statement of Accounts and Annual Governance Statement 2021/22. The unaudited statements had been approved by the Finance Lead Specialist (Section 151 Officer) on 5 July 2022 and had been opened up to scrutiny and comment from the public between 8 July and 22 August 2022. The 2021/22 accounts had the deadline of no later than 30 November, or as soon as reasonably practicable after the receipt of the auditors final report (if later than 30 November) to be approved by Members and published.

The Finance Specialist (Deputy Section 151 Officer) informed Members that the Annual Governance Statement was published in the same document as the Statement of Accounts and provided important context to the financial information as it set out how internal control had been exercised during the accounting period. A self-assessment of actions against the Local Code of Governance had been carried out and the AGS action plan was updated where the self-assessment had identified potential areas of improvement, both against the Local Code of Governance and the CIPFA Financial Management Code.

It was anticipated that the final statements would be brought back to the September 2022 meeting of the Audit Committee, with the Value for Money assessment being finalised later in the financial year.

The Legal, Governance and Democracy Specialist (Deputy Monitoring Officer) noted that an update to the wording in the first recommendation was required – the Committee would be asked to approve (rather than note) the unaudited statement of Accounts for 2021/22.

In response to a query regarding public engagement on the Statement of Accounts, the Finance Specialist (Deputy Section 151 Officer) noted that there was little feedback from the public on this matter. The Finance Lead Specialist (Section 151 Officer) added that this had varied over the years and that due to many of the queries being dealt with by Freedom of Information requests during the year and being lowered by the fact that a lot of information had been published on the Council's website.

RESOLVED – That

- (1) the unaudited Statement of Accounts for 2021/22 (including the Annual Governance Statement) be approved and the Annual Governance Statement Action Plan be noted; and

- (2) the response to the auditor risk assessment set out in Appendices 3 and 4 to the report be confirmed by management as a true reflection of the Council's management processes.

#### **AUD/9 INTERNAL AUDIT ANNUAL REPORT 2021-22**

The Internal Audit Manager introduced the Internal Audit Progress Report 2021/22. Appendix 1 provided a summary of the progress against the Internal Audit Annual Plan as at July 2022. She explained that the head of Internal Audit was satisfied that the Council had reasonable and effective risk management, control and governance processes in place, with 4 reviews receiving Substantial Assurance, 8 reviews receiving Reasonable Assurance and 1 review receiving Limited Assurance as set out in Appendix 1 to the report.

The Chief Executive thanked Internal Audit and External Audit for their work during a significant period of change with Local Government Reorganisation and the Covid-19 pandemic impacting heavily on their work. Members echoed his comments.

RESOLVED – That

- (1) the Head of Internal Audit's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2022 (set out in Appendix 1) be noted;
- (2) the progress achieved in 2021/22 in delivering the Audit Plan and the outcomes of completed audit reviews be noted (set out in Appendix 1);
- (3) the Head of Internal Audit's declaration of Internal Audit independence as required by the mandatory PSIAS be noted; and
- (4) the Head of Internal Audit's declaration of conformance with the mandatory PSIAS be noted.

#### **AUD/10 INTERNAL AUDIT PROGRESS REPORT 2022-23**

The Internal Audit Manager introduced the Internal Audit Progress Report 2022/23. Appendix 1 of the report provided a summary of the progress achieved in completing the Internal Audit Plan as at July 2022. Members were informed that three reports had been finalised since the last meeting of the Audit Committee relating to project management, administration of grants and risk management.

The Executive Summary relating to Project Management received a limited assurance, with one urgent action point, which related to central oversight of the project management function. Six further action points had been raised, with five being important and one being routine.

The Finance Lead Specialist (Section 151 Officer) noted that the scope of this audit had not included work on the ERDF Kendal Flood Alleviation Scheme or the payment of Covid-19 Grants. Furthermore, she confirmed that staff had been engaged by the Council in areas that would help to improve the situation relating to project management for other schemes.

The Executive Summary relating to the Administration of Grants received a reasonable assurance with five important action points and one routine action point. The Internal Audit Manager noted that the main action point related to procedures to ensure that key conditions of funding and any statutory requirements had been clearly identified and for monitoring compliance.

The Executive Summary relating to Risk Management received a reasonable assurance with one important action point being raised, which related to Member training on the Risk Management Process and the importance of Member attendance at these sessions. The Internal Audit Manager noted that the training was effective and that overall the report was a positive one.

The Internal Audit Manager drew members' attention to the follow up review, which detailed 35 recommendations, which had been followed up on. Of those 35 recommendations, 34% had been implemented with 23 outstanding recommendations with updates being provided by officers.

RESOLVED – That

- (1) the progress achieved in 2021/22 and 2022/23 in completing the Audit Plan and the outcomes of completed audit reviews (set out in Appendix 1) be noted;
- (2) the attached audit reports ( in Appendix 2) be noted; and
- (3) summary progress achieved in implementing recommendations from previous Internal Audit Reviews (set out in Appendix 3) be noted.

#### **AUD/11 EXTERNAL AUDIT PROGRESS REPORT (JULY 2022)**

Hebe Dyson, External Audit, presented the Committee with a summary of the progress made by Grant Thornton in delivery their responsibilities as the Council's External Auditors as at July 2022. The report also included details of emerging national issues and developments that might be relevant to the Council and an update on Audit Fees.

In presenting the report, Ms. Dyson noted ongoing fieldwork and testing which had begun on the Council's draft financial statements. It was anticipated that the Auditor's Annual Report would be issued between September 2022 and December 2022.

RESOLVED – That the progress made by External Auditors be noted.

#### **AUD/12 OTHER SIGNIFICANT FINANCIAL ISSUES**

The Finance Lead Specialist (Section 151 Officer) informed Members that the Revenue and Capital Outturn reports had been approved by Cabinet and Council in July and that normally work would have been underway on the Council's Medium Term Financial Plan, but this was no longer required due to Local Government Reorganisation. She drew members' attention to the significant amount of work currently underway, including initial work on the budget process of the new Westmorland and Furness Council. Work on the Audit Committee's responsibilities in the new authority was being undertaken, with a working group ensuring that tasks had been completed and that the audit process is functioning in time for vesting day for the Westmorland and Furness authority.

28.07.2022

Audit Committee

Members thanked officers for their work, noting that it gave them great confidence in the winding down of South Lakeland District Council and the progress being made with the Westmorland and Furness authority.

The meeting ended at 7.05 p.m.