

## AUDIT COMMITTEE

Minutes of the proceedings at a meeting of the Audit Committee held in the District Council Chamber - South Lakeland House, on Wednesday, 19 September 2018, at 6.30 p.m.

Present

Councillors

Ian Stewart (Vice-Chairman)

Matt Brereton  
Sheila Capstick

Tracy Coward  
Eamonn Hennessy

Kevin Lancaster

An apology for absence was received from Councillor Stephen Coleman (Chairman).

Officers

Sarah Berry	Projects and Innovation Officer
Inge Booth	Senior Committee Services Officer
Katie Booth	Corporate Anti-Fraud Officer
Claire Gould	Partnerships and Organisational Development Manager
Lee Hurst	Chief Accountant
Anthea Lowe	Solicitor to the Council
Simon McVey	Assistant Director Performance and Innovation
Debbie Storr	Director of Policy and Resources (Monitoring Officer)

Also in attendance were Jillian Burrows (External Audit) and Peter Harrison (Internal Audit Manager).

### **AUD/15 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 2018.

### **AUD/16 DECLARATIONS OF INTEREST**

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

### **AUD/17 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/18 ANNUAL REVIEW OF ANTI-FRAUD POLICY AND ACTIVITY**

The Director of Policy and Resources (Monitoring 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 December 2017, with no amendments required. The report drew attention to the Anti-Money Laundering Policy, approved by the Audit Committee in December 2017, attached at Appendix 3 to the report. In addition, the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption Counter-Fraud Assessment Tool and the Fighting Fraud and Corruption Locally 2016-19 Checklist were attached at Appendices 4 and 5 respectively.

The Director of Policy and Resources (Monitoring Officer) drew attention to a typographical error in the table on page 139 and advised Members that the total number of prosecutions in 2017/18 had been 4 and not three as stated.

Discussion took place on the potential to charge for the work carried out by the Council in relation to tenancy fraud in relation to social housing stock.

Members expressed concern with regard to tenancy fraud, in particular with regard to cases where people currently occupying properties sold under the Right to Buy scheme in previous years did not meet the requirements of Section 106 Agreements. The Corporate Anti-Fraud Officer confirmed that all tenancy fraud allegations were followed up, however, that there had, thus far, been no such allegations brought to her attention.

In response to a query regarding the value of identified frauds and the value of recuperation through prosecution, the Corporate Anti-Fraud Officer made reference to the cost implications of prosecution and explained that prosecution was only carried out where it was in the public interest and there was enough evidence beyond reasonable doubt.

In considering the summary of anti-fraud activity since 2013/14, Members acknowledged that the difference in ratios related to the Department for Work and Pensions having taken over responsibility for sanctioning Housing Benefit cases from 2015.

RESOLVED – That the following be noted:-

- (1) the review of the Anti-Bribery, Fraud and Corruption Policy and the Anti-Money Laundering Policy;
- (2) 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 2016-19 Checklist; and
- (3) the anti-fraud activity.

## **AUD/19 AUDIT COMMITTEE 2018/19 WORK PROGRAMME**

The Chief Accountant presented a report setting out the changes to and the progress made against the 2018/19 Work Programme. He informed Members that the External Audit 2017/18 Annual Letter had been brought forward to this meeting from December due to this year's early closure of accounts. In addition, he explained that there was no External Audit update on this agenda due to the 2017/18 accounts having been completed; an update would be provided at the December meeting. A review of the Whistleblowing Policy was not due to be presented to the Audit Committee until September 2019, as this was a bi-annual review. Lastly, the Chief Accountant pointed out that an update on the Customer Connect Business Case had been included for each meeting of the Audit Committee, as requested by Members.

The Vice-Chairman reminded Members that they could approach the Director of Policy and Resources (Monitoring Officer) with any training requirements.

RESOLVED – That progress against the 2018/19 Work Programme be noted.

**AUD/20 ANNUAL AUDIT LETTER FOR SOUTH LAKELAND DISTRICT COUNCIL YEAR ENDING 31 MARCH 2018**

The External Audit Annual Audit Letter, which summarised the key findings arising from work carried out by External Audit at the Council for the year ended 31 March 2018, was presented by Jillian Burrows, External Audit.

The key messages were that External Audit had provided an unqualified opinion on the Council's financial statements on 26 July 2018. 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 2018. 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 26 July 2018.

The Letter drew attention to the fact that work on certification of the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions was not yet complete and would be finalised by 30 November 2018. The results of this work would be reported to the Audit Committee within External Audit's Annual Certification Letter.

RESOLVED – That the contents of the Annual External Audit Letter for the year ended 31 March 2018 be noted.

**AUD/21 INTERNAL AUDIT PROGRESS REPORT 2018/19**

Peter Harrison, Internal Audit, introduced the Internal Audit Progress Report 2018/19. The report provided a summary of the progress against the Internal Audit Annual Plan to date.

Following the Internal Audit Plan's approval by the Committee in April 2018, four assurance reviews had been finalised. There had been no changes proposed to the Annual Plan; although there had been a proposal to audit additional DFG monies, this had been cancelled, as the Council had not drawn down any grant. Mr Harrison confirmed that audit reports for Health and Safety – Property Risks; Business Continuity; Use of Agency, Interim and Casual Works; and Cyber Security would be completed for presentation to the December meeting. An IT-specific auditor had been identified for carrying out the review of Cyber Security, work on which would shortly commence.

The report contained the executive summaries of the four audit reports completed in the period: Debtors; Treasury Management; Budgetary Control; and Procurement. These reports were also presented by the Internal Audit Manager.

The Review of Debtors had resulted in a reasonable assurance assessment. Four important action points had been identified. In response to a query, Mr Harrison confirmed that recommendation 2 was purely with regard to the need for the procedures for the write-off of debts under £20,000 to be aligned with the limits stated within the Financial Procedure Rules.

The Review of Treasury Management had resulted in a substantial assurance assessment, with four routine actions having been identified.

The Review of Budgetary Control had resulted in a reasonable assurance assessment. One important action point had been identified regarding the need for Corporate Financial Monitoring Reports for quarter one to be submitted to the Management Team, Cabinet and Council and for each quarterly report to be amended to disclose projected income and projected expenditure separately. Members highlighted the need for timely information for Members and asked for the action point regarding Quarter 1 reporting to be reviewed.

The Review of Procurement had resulted in a reasonable assurance assessment, with three action points having been identified; one important; one routine; and one operational. In response to a query, the Solicitor to the Council confirmed that she was confident that verification of the identity of contracting parties was now taking place.

Internal Audit had also assessed the extent to which previous internal audit recommendations had been implemented. The report showed that 17 recommendations were yet to be implemented. Eight were on target and there were nine in progress where the original target dates had not been met. Nine recommendations had been implemented and were now considered closed.

Members welcomed the report.

RESOLVED – That the following be noted:-

- (1) the progress achieved in 2018/19 in delivering the Audit Plan and the outcomes of completed audit reviews, as set out in Appendix 1 to the report;
- (2) the attached audit reports, as set out in Appendix 2 to the report; and
- (3) the status of outstanding recommendations contained within the follow up report, as set out in Appendix 3 to the report.

## **AUD/22**

### **REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT**

The Chief Accountant 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 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 – 2017/18; and
- Performance Indicators.

A 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.

Discussion took place with regard to the External and Internal Audit contracts and a suggestion for the need to consider changing contractors in order to ensure appropriate professional working relationships. It was pointed out that the Internal Audit function could be delivered by employees of the Council and, therefore, that there was no requirement to change contractors, although this could be a procurement consideration. External Audit was arranged by Public Sector Audit Appointments Ltd on a national framework arrangement. The Internal Audit contract would run to March 2019, with two optional extensions to 2021, when a retendering exercise would be carried out.

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/23 OTHER SIGNIFICANT FINANCIAL ISSUES**

The Chief Accountant advised that the Assistant Director Resources (Section 151) Officer had indicated that she had no further significant financial issues to report.

### **AUD/24 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/25 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 Partnerships and Organisational Development Manager who was the Customer Connect Programme Manager explained that an update on the management of the Customer Connect Programme and, specifically, the Programme's risks and programme spend against budget, was to be presented to each meeting of the Audit Committee.

The Projects and Innovation Officer, acting as Customer Connect Programme Officer, displayed a copy of the Customer Connect Programme Workbook and explained how it was used to manage the Programme.

The Customer Connect Programme Manager reported on the information contained within the risk register. As risks were managed on a weekly basis by the Programme, a number of risks had changed since the report had been produced as mitigations had been fulfilled, thus reducing those risks. She explained that this was why she proposed to bring a live version of the risks to each Committee meeting so that Members had the most up to date information.

The Programme Manager responded to queries and suggestions raised by Members with regard to a number of areas and individual risks. During discussion and in response to a request, the Assistant Director Performance and Innovation undertook to provide a note to all Members of the Committee on the meaning of the term "Enterprise Design".

The Programme Officer explained to Members in detail the Budget sheet of the Workbook.

Discussion took place on the Budget sheet. The Committee commended the level of detail on the Budget sheet, however, wished to see alterations to the format of the budget sheet for future meetings so that Members could more easily examine a single page including budget, actual, variance and reasons for variance, and the Programme Manager and Chief Accountant undertook to produce the sheet in a similar format to quarterly budget monitoring sheets.

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.

The meeting ended at 8.05 p.m.