

**AUDIT COMMITTEE**

Minutes of the proceedings at a meeting of the Audit Committee held in the Assembly Room, Kendal Town Hall, Kendal, on Thursday, 29 July 2021, at 6.30 p.m.

Present

Councillors

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

Giles Archibald

Kevin Holmes

Kevin Lancaster

Apologies for absence were received from Councillors Matt Severn.

Officers

John Davies	Case Management Officer
Linda Fisher	Legal, Governance and Democracy Lead Specialist (Monitoring Officer)
Adam Moffatt	Legal, Governance and Democracy Specialist
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) and Gareth Kelly (External Audit Manager).

**AUD/1 MINUTES**

The Finance Lead Specialist (Section 151 Officer) informed Members that the Working Group to review the annual governance statement, which had been discussed at the last meeting of the Audit Committee, had not been set up. She explained that the documents that were to be discussed, had fed into the appendices to the Statement of Accounts and Annual Governance Statement 2020/21 Report (at Minute No. AUD/10). She informed Members that if the Committee wished, the working group could be set up to discuss the documents in more detail.

RESOLVED – That the Chairman be authorised to sign, as a correct record, the minutes of the meeting of the Committee held on 22 April 2021.

**AUD/2 DECLARATIONS OF INTEREST**

RESOLVED – That it be noted that Councillor Giles Archibald declared a non-pecuniary interest in Minute No. AUD/59 (Statement of Accounts and Annual Governance Statement 2020/21) by virtue of the fact that he is a shareholder in the parent company of Mercer, he remained in the room during voting and discussion on the item.

**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 Lead Specialist (Monitoring Officer) undertook to make the correction to the Terms of Reference.

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

**AUD/5 AUDIT COMMITTEE WORK PROGRAMME 2021/22**

The Finance Lead Specialist (Section 151 Officer) introduced the Audit Committee 2021/22 Work Programme and informed Members that the current version had been updated to reflect Lead Officers and to include dates of forthcoming Committee Meetings. She highlighted that reports relating to Anti-Fraud and the Audit Committee Risk Register had been delayed until September 2021.

Members raised concern over the impact of LGR on the Authority and requested that Local Government Reorganisation have a fixed item on the agenda for the committee to be provided any relevant updates.

RESOLVED – That the progress against the 2021/22 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 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 matrix to the target position.

The Case Management Officer (Support Services) informed Members that there were 16 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. He added that 38% of risks were above appetite, which had seen a sharp reduction of risks positioned above appetite and highlighted that any risks in this position would be reviewed at least once per quarter.

Following a request from Members, the Director of Strategy and Innovation confirmed that a risk related to Local Government Reorganisation had been drafted that would be added to the risk register, following preliminary meetings that would provide more clarity on the next steps for the Authority.

Further discussion raised interest in the changing status of a number of risks that had been reduced and whether this reduction had been down to the active steps taken or the risks being perceived as high.

Concern was raised over the placement of two risks, the first related to the impact of the Welfare Reform on communities and the impact of new projects and initiatives on existing Council Plan priorities. The Director of Strategy and Innovation undertook to redraft risk 5 in appendix 1 to the report (Impact of the Welfare Reform on communities). The Case Management Officer (Support Services) agreed to provide a written response to update Members on the position of risk 5 and risk 13.

In response to a question on the impact of Local Government Reorganisation on Business as Usual and the potential for limitations on spending, the Director of Strategy, Innovation and Resources informed Members that some restriction could be forthcoming, it was likely that this would not apply to projects that had been included in the approved budget of the Council. He added that more information would come out as the process moves forwards and following a request from the Chairman, agreed to provide a written update on any progress on this matter.

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

#### **AUD/7 INTERNAL AUDIT ANNUAL REPORT 2020/21**

The Internal Audit Manager introduced the Internal Audit Progress Report 2020/21. Appendix 1 provided a summary of the progress against the Internal Audit Annual Plan as at July 2021. She explained that, in terms of internal audit delivery, the work for 2020/21 had been significantly delayed by the Covid-19 pandemic but had largely been completed by the end of April 2021. She added that the annual opinion from internal audit had concluded that reasonable assurance over the systems of governance, risk management and internal control.

Members expressed their gratitude to Officers for the improvements shown in the report and asked for their thanks to be passed on.

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 2021 be noted;
- (2) the progress achieved in 2020/21 in delivering the Audit Plan and the outcomes of completed audit reviews set out in Appendix 1 be noted;
- (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/8 INTERNAL AUDIT PROGRESS REPORT 2021/22**

The Internal Audit Manager introduced the Internal Audit Progress Report 2021/22. Appendix 1 of the report provided a summary of the progress achieved in completing the Internal Audit Plan as at July 2021. Members were informed that at this stage in the year, no 2021/22 internal audit reports had been finalised, although fieldwork was underway on four reviews. It was highlighted that Appendix 2 to the report contained the executive summaries of the two audit reports completed in the period: Corporate Governance (Compliance with the Local Code) and Asset Management.

Members gave consideration to the impact of the Covid-19 pandemic on the access to information for Internal Audit, the recommendations that came as a result of the Assurance Reviews set out in the Appendices to the report.

Further discussion raised concern over severe risks that were outstanding, to which the Internal Audit Manager responded and informed Members that there was only one, priority one risk outstanding, but there had been no major risk as a result of this as the completion date had not yet been met. In addition, the Finance Lead Specialist (Section 151 Officer) informed Members that the reports would be brought back to the next meeting of the Audit Committee and highlighted officer training which covered the role of internal audit and reinforced the need for recommendations to be followed up.

RESOLVED – That the following be noted:-

- (1) the progress achieved in 2020/21 and 2021/22 in completing the Audit Plan and the outcomes of completed audit reviews set out in Appendix 1;
- (2) the attached audit reports at Appendix 2; and
- (3) the summary progress achieved in implementing the recommendations from previous internal audit reviews set out in Appendix 3.

#### **AUD/9**

#### **EXTERNAL AUDIT DRAFT SOUTH LAKELAND DISTRICT COUNCIL AUDIT PLAN YEAR ENDING 31 MARCH 2021**

The External Audit Manager presented the External Audit Draft Plan for the Council for the year ended 31 March 2021. The Plan set out an overview of the planned scope and timing of the statutory audit of the Council for those charged with governance.

The document aimed to assist the Committee in understanding the consequences of External Audit's work, discuss issues of risk and the concept of materiality and identify those areas of work External Audit would undertake during the year.

In presenting the report, the External Audit Manager referred to the revised approach to Value for Money, before moving on to the significant risks, particularly that of Covid-19 and implications on financial reporting and accounting. He felt that the pandemic would have a significant impact on the Council's resources, in terms of increased expenditure and especially lost income. He specifically mentioned the risk attached to fraud in revenue recognition, highlighting that some elements of the risk had been rebutted and stated that overall; South Lakeland District Council is low risk. In concluding his report, the External Audit Manager informed Members of a high level commentary on Local Government Reorganisation during 2021/22 with the aim of reporting back to the Audit Committee later in the year.

No Member having raised concern when asked by the Chairman, it was

RESOLVED – That the External Audit Plan for South Lakeland District Council year ended 31 March 2021 be noted.

#### **AUD/10**

#### **STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2020/21**

The Finance Specialist (Deputy Section 151 Officer) introduced the draft Statement of Accounts and Annual Governance Statement 2020/2021. The unaudited statements had been approved by the Finance Lead Specialist (Section 151 Officer) on 18 June 2021 and had been opened up to scrutiny and comment from the public on the 21 June 2021. The 2020/21 accounts must be approved by Members and published no later than 30 September 2021, or as soon as reasonably practicable after the receipt of the auditors final report (it later than 30 September).

The Finance Lead Specialist (Section 151 Officer) explained that the Annual Governance Statement had been published in the same document as the Statement of Accounts, providing important context to the financial information and having been signed by the Chief Executive and the Leader of the Council. She added that the Annual General Statement had been expanded for 2020/21 to include a summary of changes in governance arrangements as a result of Covid-19, the majority of which were included in the Covid-19 update to Audit Committee in September 2020.

The Finance Lead Specialist (Section 151 Officer) informed Members that a robust review of the Governance Statement had taken place, which updated the action plan substantially in line with the new CIPFA Financial Management Code which needed to be implemented this year.

Members expressed their thanks to officers for the work done by officers for the crucial work done throughout the Covid-19 pandemic and raised a query related to the risks associated with the Covid-19 grants. The Finance Lead Specialist (Section 151 Officer) informed Members that there had been a risk due to the nature of the grants, but that the Finance Team was happy that any risk had been mitigated as far as possible, providing a clear audit trail through the 'My Account' system.

RESOLVED – That:-

- (1) The unaudited Statement of Accounts for 2020/21 (including the Annual Governance Statement and the Annual Governance Statement Action Plan be noted; and
- (2) The management response to the auditor risk assessment set out in Appendices 3 and 4 be confirmed as a true reflection of the Council's management processes.

## **AUD/11 OTHER SIGNIFICANT FINANCIAL ISSUES**

The Finance Lead Specialist (Section 151 Officer) highlighted that the government had looked at the responses to the Redmond Review and explained that the consultation period was to end on 28 September 2021. She proposed that she would prepare a draft response to the consultation which would be circulated to members before sending and then attached to the next Audit Committee Agenda for noting.

The meeting ended at 7.28 p.m.