

AUDIT COMMITTEE

Minutes of the proceedings at a meeting of the Audit Committee held in the Georgian Room, Kendal Town Hall, on Thursday, 21 April 2022, at 6.30 p.m.

Present

Councillors

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

Pete Endsor

Kevin Holmes

Kevin Lancaster

An apology for absence was received from Councillor Matt Severn.

Officers

Inge Booth	Legal, Governance and Democracy Specialist
John Davies	Case Management Officer Support Services
Julia Krier	Legal, Governance and Democracy Specialist
Simon McVey	Director of Strategy, Innovation and Resources
Claire Read	Finance Specialist (Deputy Section 151 Officer)
Helen Smith	Finance Lead Specialist (Section 151 Officer)

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

AUD/34 MINUTES

RESOLVED – That the Chairman be authorised to sign, as a correct record, the minutes of the meeting of the Committee held on 8 December 2021.

AUD/35 DECLARATIONS OF INTEREST

No declarations of interest were raised.

AUD/36 LOCAL GOVERNMENT ACT 1972 - EXCLUDED ITEMS

There were no Excluded Items on the Agenda.

AUD/37 AUDIT COMMITTEE WORK PROGRAMMES

The Finance Lead Specialist (Section 151 Officer) first presented a report on progress against the Committee's 2021/22 Work Programme. She pointed out that the bi-annual report on the Review of the Whistleblowing Policy and the final report on the Customer Connect Business Case had been delayed and would be brought to the July 2022 meeting of the Audit Committee.

The Finance Lead Specialist (Section 151 Officer) then presented a draft Work Programme for the Audit Committee for 2022/23. The provisional meeting dates shown were dependent on approval by Council of its Calendar of Meetings for 2022/23. The majority of the content of the Programme was as in previous years, however, the final

meeting of the Audit Committee had been brought forward and was scheduled to be held on 2 March 2023 in order to allow an opportunity for final audit reports and the Committee's Annual Report to be considered prior to submission to the last meeting of Full Council.

It was suggested that the last meeting may involve a larger amount of business than usual and that an earlier start time may be appropriate. The Chairman undertook to look at this nearer to the time. In response to a query on the potential for slippage in timescales, the Finance Lead Specialist (Section 151 Officer) explained that the Internal Audit contract was due to cease at the end of South Lakeland District Council's financial year, and so it was aimed for this work to be completed by this time. There was, however, a longer relationship with External Audit, as the final accounts for the current financial year would not be ready by 31 March 2023. The responsibility for preparation of accounts for South Lakeland District Council would transfer to the Westmorland and Furness Unitary Authority's Section 151 Officer, and External Audit would work with the new Authority to carry out that work. The Finance Lead Specialist (Section 151 Officer) informed Members that a Local Government Reorganisation workstream had already established a legacy team to work out the logistics regarding dealing with legacy work and day one work for the new authority. Gareth Kelly, External Audit, added that External Audit had already commenced discussions with the legacy team and pointed out to Members that External Audit had already had experience of working through change programmes with Clinical Commissioning Groups.

RESOLVED – That

- (1) progress against the 2021/22 Work Programme be noted; and
- (2) the draft Work Programme for 2022/23 be agreed, subject to confirmation of the Council's Calendar of Meetings.

AUD/38 RISK MANAGEMENT - OPERATIONAL RISKS

The Case Management Officer Support Services reported that, following a review of the Operational Risk Register during Quarter 4 2021/22, it could be seen that 11 risks (11% of risks) were currently above Risk Appetite – a significant reduction when compared with Quarter 1 2021/22, when 26 risks (23% of risks) had been above Risk Appetite. This demonstrated the Council's continual focus on risk review and mitigation at both Strategic and Operational levels.

In response to a query, the Case Management Officer Support Services referred to Appendix 1 and informed the Committee that none of the operational risks had changed in the last quarter.

RESOLVED – That the operational risks which are positioned above the line of Risk Appetite, and their mitigating controls as listed in Appendix 1 to the report, be noted.

AUD/39 REVIEW OF PERFORMANCE MANAGEMENT FRAMEWORK AND RISK MANAGEMENT PROCESS

The Case Management Officer Support Services presented the annual review of the Council's Performance Management Framework and the Risk Management Process. He drew attention to the fact that the Risk Management Process for 2022 now included reference to the risk training programme and essential status for key roles in terms of risk management, and improved clarity on the positive and negative sides of a risk.

RESOLVED – That the following be noted:-

- (1) the Performance Management Framework 2022 at Appendix 1 to the report; and
- (2) the Risk Management Process 2022 at Appendix 2 to the report.

AUD/40 THE EXTERNAL AUDIT PLAN FOR SOUTH LAKELAND DISTRICT COUNCIL YEAR ENDED 31 MARCH 2022

Gareth Kelly, External Audit, introduced the External Audit Plan for the Council for the year ended 31 March 2022. The Plan set out an overview of the planned scope and timing of the statutory audit of the Council for those charged with governance.

Gareth Kelly referred to the report's introduction and headlines and informed Members that the report was in line with previous years. No significant weaknesses had been identified at the planning stage regarding Value for Money Arrangements. He was also pleased to report that there had been significant improvement in quality scores. Audit quality continued to be taken very seriously and improvements had been recognised by external reviews. Hebe Dyson, External Audit, presented the finer detail of the report.

In response to a query regarding Audit Fees, Gareth Kelly explained that the fees for this year had not yet been finalised. This was being approached nationally and there would be an update in the next progress report. With regard to the fee increase, this related to a number of things, for example, new standards on accounting estimates, expectations from regulators and significant additional work in relation to Covid-19. The Finance Lead Specialist (Section 151 Officer) added that, in recognition, the Government had provided a grant of £22,000 towards the additional fee. The Finance Lead Specialist (Section 151 Officer) further provided an update on investment properties and a full review carried out last year and was able to demonstrate that recommendations were being followed.

In response to a query regarding the current situation between Russia and Ukraine in relation to the valuation of the Cumbria Pension Fund, Gareth Kelly explained that this had been examined, suggesting that exposure was low and that there was currently no direct effect. Discussions were on going as regards what course of action to take. In response to a further query, he was not aware whether any assets had been seized in South Lakeland. The Finance Lead Specialist (Section 151 Officer) undertook to look into matter this for the Committee.

RESOLVED – That the External Audit Plan for South Lakeland District Council year ended 31 March 2022 be noted.

AUD/41 EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

Hebe Dyson, External Audit, presented a report providing the Committee with a summary of the progress made by Grant Thornton in delivering their responsibilities as the Council's External Auditors as at 31 March 2022. 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 at March 2022 be noted.

AUD/42 HOUSING BENEFIT (SUBSIDY) ASSURANCE PROCESS REPORT

Gareth Kelly, External Audit, presented a letter from Grant Thornton, advising that, for the form MPF720A dated, 28 February 2022, External Audit had completed the specific test requirements detailed in the DWP reporting framework HBAP and had identified the results set out in Appendices A, B, C and D to the report, which provided a report on housing benefit certification work carried out for South Lakeland District Council for year ended 31 March 2021.

Gareth Kelly explained that this was a very complex area and that the findings were not out of line with what External Audit found elsewhere. There were some areas where errors had been found for the first time this year, by and large resulting in underpayments, but the Council would not be penalised as a result of this. There were, however, some occasions of benefit claimants not receiving what they were entitled to, but this had been taken on board by management. The result was that External Audit would have to carry out more testing next year. The Finance Lead Specialist (Section 151 Officer) informed Members that the Housing Benefits Team had been working hard to improve processes and were putting in a large amount of effort to achieve a clean audit report in the final year.

RESOLVED – That the letter from External Audit on Housing Benefit (Subsidy) Assurance Year ended 31 March 2021 be received.

AUD/43 CHAIR OF AUDIT COMMITTEE'S ANNUAL REPORT

The Chairman introduced his Audit Committee Annual Report 2021/22. The report, presented by the Finance Lead Specialist (Section 151 Officer) summarised the activities of the Committee during the current Council Year and, subject to approval, would be submitted to Council in May 2022. The report demonstrated that the Committee was functioning in accordance with best practice and providing independent assurance of the Council's governance arrangements.

RESOLVED – That the Chair of the Audit Committee's Annual Report 2021/22 be approved for submission to Council on 18 May 2022.

AUD/44 REVIEW OF EFFECTIVENESS OF AUDIT COMMITTEE

The Finance Lead Specialist (Section 151 Officer) reported that the annual review of the Audit Committee's effectiveness had been carried out using principles established by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The conclusion of the review, which used a questionnaire approach shown at Appendix 1 to the report, was that the Committee could demonstrate that it had been established in accordance with best practice and that it continued to operate effectively, whilst operating without an independent member. The Committee needed to remain alert to any changes in its membership and the expertise of its Members so that it could arrange suitable changes, and Appendix 3 to the report included a skills framework for Members of the Audit Committee which had been produced by CIPFA. CIPFA's Practical Guidance referred to possible wider functions of an audit committee, details of which were included and addressed within the report, and the Finance Lead Specialist (Section 151 Officer) drew attention to the suggestion for a lay or independent member to be included in Audit Committees, whilst not a requirement, pointing out that it had previously been the view of the Committee that this was not necessary. Gareth Kelly, External Audit, assured Members that, because the Council was following a framework with public sector

appointment, this was not in any way a failing. The Finance Lead Specialist (Section 151 Officer) also drew attention to the skills framework and the fact that she would be happy to arrange further training if required.

RESOLVED – That

- (1) the review, and its conclusion that the Audit Committee is operating effectively in all material aspects, be approved; and
- (2) the skills framework for Members of the Audit Committee, as at Appendix 3 to the report, be noted.

AUD/45 SLDC INTERNAL AUDIT PROGRESS REPORT

Peter Harrison, Internal Audit, introduced the Internal Audit Progress Report 2021/22. Appendix 1 of the report provided a summary of the progress against the Internal Audit Annual Plan as at April 2022. 13 out of 14 reviews had been completed, 12 of which had been finalised and one of which was at the draft report stage. Fieldwork on the one remaining audit in 2021/22 had commenced. These reports would be presented to the July 2022 meeting of the Audit Committee.

The Internal Audit Manager presented executive summaries relating to the five audit reports which had been completed in the period, as set out in Appendix 2 to the report. The Reviews of Budgetary Control, Flood Relief Scheme and Housing Benefits had all received substantial assurance. Those for Covid-19 Grant Schemes and Licensing – Taxis, had received reasonable assurance.

With regard to the review of Covid-19 Grant Schemes, Peter Harrison pointed out that this had been carried out in November 2021 when the scheme had still been operational. Some of the recommendations had been addressed and Internal Audit would follow these up. He pointed out, however, that there was no longer a great deal of value in taking these forward, as the time had passed for those grants.

With regard to the review of Licensing – Taxis, some issues had been identified, for example around dealing with drivers whose driving licences had expired and whether to grant a further permit and also regarding the timely process of documentation, as well as missing documentation in relation to DBS checks. Whilst it was recognised that the recommendations had been accepted, this matter was felt to be of concern to the Committee. Particular concern was expressed with regard to the need for safeguarding training. The Chairman asked the Finance Lead Specialist (Section 151 Officer) to make arrangements for the relevant officer to attend the next meeting of the Audit Committee to explain how the recommendations had been implemented.

Internal Audit had also assessed the extent to which previous internal audit recommendations had been implemented. The report showed that 27 recommendations had yet to be implemented. One had been considered but not been implemented and was no longer applicable. Ten recommendations had been implemented and were now considered closed. With regard to the outstanding items, Peter Harrison explained that consideration would need to be given to the practicality of taking these forward during the next twelve months.

RESOLVED – That the following be noted:-

- (1) the progress achieved in 2021/22 in delivering the Audit Plan and the outcomes of completed audit reviews, as set out in Appendix 1 to the report;
- (2) the audit reports, as set out in Appendix 2 to the report; and
- (3) summary progress achieved in implementing recommendations from previous internal audit reports, as set out in Appendix 3 to the report.

AUD/46 SLDC INTERNAL AUDIT ANNUAL PLAN

Internal Audit was required, under the mandatory Public Sector Internal Audit Standards (PSIAS), to prepare an annual risk based audit plan for approval by the Audit Committee. Members gave consideration to a proposed Internal Audit Annual Plan for 2022/23, presented by Peter Harrison, Internal Audit. The draft Internal Audit Annual Plan attached at Appendix 1 to the report had been prepared following review of corporate documents including the Council's Corporate Risk Register, corporate plans and recent internal audit coverage. In light of Local Government Reorganisation, it was important that the Plan remained flexible to respond to changing priorities during the course of the year.

It was a further requirement of the PSIAS that the Council had an Internal Audit Charter which had been approved by Senior Management and the Audit Committee. The Charter, which was incorporated into the Annual Plan, set out the arrangements for the delivery of the Internal Audit service to South Lakeland District Council.

Peter Harrison pointed out that there was a good mixture of categories of review work within the Plan. The Finance Lead Specialist (Section 151 Officer) was pleased to inform the Committee that two Leads had come forward with requests for internal audit reviews of their services – Disabled Facilities Grants and Development Control, Land Charges and Building Control. The Finance Lead Specialist (Section 151 Officer) had herself asked for a review of Council Tax Energy Rebate Payments.

RESOLVED – That the following be approved:-

- (1) the Internal Audit Annual Plan 2022/23, as attached at Appendix 1 to the report; and
- (2) the Audit Charter, which for 2022/23 has been incorporated into the Annual Plan.

AUD/47 REVIEW OF EFFECTIVENESS 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 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 had an effective system of Internal Audit, the service being provided by TIAA Limited.

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.

The meeting ended at 7.35 p.m.