

## **Lancashire County Council**

### **Audit Committee**

**Minutes of the Meeting held on Monday, 25th June, 2012 at 2.00 pm in  
Cabinet Room 'B' - County Hall, Preston**

#### **Present:**

County Councillor Sam Chapman (Chair)

#### **County Councillors**

K Brown	D Westley
H Henshaw	M Younis
M Parkinson	

#### **1. Apologies for absence**

Apologies were presented on behalf of County Councillors J Lawrenson and M Welsh.

#### **2. Appointment of Chair and Deputy Chair**

The committee was informed that the County Council had appointed County Councillor S Chapman and County Councillor M Younis as Chair and Deputy Chair of the committee for the ensuing year.

**Resolved:-** That the appointment of County Councillor S Chapman and County Councillor M Younis as Chair and Deputy Chair of the committee be noted.

#### **3. Constitution, Membership and Terms of Reference of the Committee**

A report was presented on the constitution, membership and terms of reference for the ensuing year.

The committee was advised of changes to the committee's terms of reference with effect from 1 July 2012. The committee was also advised that the committee would be re-named the 'Audit and Governance Committee' to more accurately reflect its revised role.

**Resolved:** That:

- (i) The membership of the committee be noted.
- (ii) The committee's terms of reference be noted.
- (iii) The revised terms of reference with effect from 1 July 2012, be noted.

(iv) The renaming of the committee to the 'Audit and Governance Committee' with effect from 1 July 2012, be noted.

#### **4. Disclosure of Personal and Prejudicial Interests**

County Councillor David Westley declared a personal interest in item 15 as a West Lancashire Borough Council Cabinet Member involved in the transfer of borough council ICT services to One Connect Ltd.

#### **5. Minutes of the meeting held on 26 March 2012**

The committee questioned officers with regard to resolution 4 ii) of the minutes which called on the Internal Audit Service to report back to the committee with the views of the cabinet members on any corporate or service area where they had given limited or no assurance.

The committee noted that the matter was being considered by Executive Directors, and asked for the committee's views to be re-emphasised in those discussions.

**Resolved:** i) That the views of the committee on the issue be re-emphasised to Executive Directors.

ii) That the minutes of the meeting held on 26 March 2012 be confirmed and signed by the chair.

#### **6. Review of Treasury Management 2011/12**

A presentation was made to the committee by George Graham, deputy county treasurer.

The report outlined the treasury management activities of the county council throughout 2011/12 and included:

- A review of the economic conditions during 2011/12 and the impact on the county council's borrowing and lending activities.
- Borrowing to finance capital expenditure.
- Investment of cash balances
- Monitoring of prudential indicators for 2011/12
- An update on the investment frozen in Landsbanki hf.

The report also included an update on the Audit Commission's review of the council's treasury management function which included further work on governance arrangements and reporting; enhancing the level of skills and experience within the team; and procuring a new treasury management information system.

Members raised a number of queries with regard to the borrowing and lending activities of the council and noted that there was a significant level of short term borrowing which needed to be constantly refinanced as part of the strategy to benefit from low short term interest rates. The committee also noted the significant underspend on the capital finance budget.

**Resolved:** - That the review of treasury management activities in 2011/12 as shown at appendix A to the report now presented, be noted.

## **7. Management of vehicle assets - Progress report**

Bernard Noblett, deputy director, Lancashire County Commercial Group (LCCG) presented a report on the actions taken in response to issues raised by the internal audit service on the management of vehicle assets.

It was reported that:

- The majority of the county council's vehicle fleet was managed within LCCG and procedures were in place to cover vehicle hire, insurance and driver licence checks etc for this group of vehicles and drivers.
- A Fleet and Driver Management Policy with associated guidance was being developed for employees in the rest of county council.
- Other issues identified in the internal audit report which related specifically to the fleet management function in LCCG now had agreed management responses and actions in place.

The deputy director advised the committee that the draft Fleet and Driver Management Policy for employees was expected to be finalised shortly.

The committee welcomed the report and requested that a further progress report on the management of vehicle assets, be presented to the next meeting of the committee in September 2012.

**Resolved:** i) That the report be noted.

ii) That a further report on the management of vehicle assets be presented to the next meeting of the committee on 26 September, 2012.

## **8. Legislative Compliance**

Ian Young, deputy county secretary and solicitor presented a report on the arrangements currently in place across the council to ensure that existing and emerging legislation was identified, considered, implemented and reviewed.

The report also described the processes in place to ensure that the legal implications of decisions taken by the Council, its committees and members were appropriately considered in advance.

The Chair thanked the deputy county secretary and solicitor for his comprehensive report.

**Resolved:** That the report be noted.

## **9. Annual Governance Statement 2011/12**

A report on the Annual Governance Statement (AGS) was presented by Josh Mynott, committee support team leader. The statement was prepared in compliance with the Accounts and Audit Regulations 2011, which requires a review to be conducted of the governance arrangements in the authority.

This had been achieved by means of obtaining statements of assurance from executive directors and by reference to the annual report of the head of internal audit.

The new Annual Governance Statement was presented at Appendix 'A'.

The Statement outlined areas where there was a programme for improvement in the coming year and a number of changes that had been agreed for several aspects of the governance regime for 2012/13. These include those areas outlined in the annual report of the Head of Internal Audit in respect of information governance, continuity and contingency planning, treasury management, compliance with procurement procedures and revisions to governance structures.

It was noted that the Annual Governance Statement was to be signed by the leader and the chief executive for the year in question, and the committee was asked to approve it.

**Resolved:** That the Annual Governance Statement for 2011/12 as now presented, be approved.

## **10. Response of the Chair of the Audit Committee to the Audit Commission's request for information to support its compliance with International Standards on Auditing**

The committee considered a response to the Audit Commission's request for information to support its compliance with international standards on auditing and quality control.

The Chair of the Audit Committee was asked to provide information in respect of both Lancashire County Council and the Lancashire Pension Fund relating to:

- fraud and internal control;
- laws and regulations;
- litigation and claims; and

- assurance that the council is a 'going concern'.

A response to the commission had been prepared on behalf of the county Treasurer and was set out at Appendix A to the report. The Chair of the committee was requested to sign the response once it had been approved by the committee.

**Resolved:** That, the response to the Audit Commission's request for information to support its compliance with international standards on auditing and quality control, as set out at Appendix A, be approved and signed by the Chair of the committee.

#### **11. Internal Audit annual report to Lancashire County Council for 2011/12**

The committee considered the Internal Audit annual report for 2011/12, as presented by Ruth Lowry, head of internal audit.

The report was presented in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The opinion given in the report confirmed that there was generally a sound system of internal control, adequately designed to meet the council's objectives, and that controls were generally being applied consistently.

The report identified individual key issues and themes that presented limited exceptions to this broad conclusion. These included ICT services and vehicle management which were the subject of separate reports on the agenda. It was reported that the matters included in the report had been discussed with the relevant service management teams as well as with the council's Management Team and action plans had been agreed and were being implemented.

In response to concerns raised at the number of corporate and service areas that had received limited assurance, the head of internal audit assured the committee that the council was continuing to follow a clear trajectory of continuous improvement in the common controls that underpinned the work of all its services.

**Resolved:** That the internal audit annual report to the authority for 2011/12 be noted.

#### **12. Internal Audit Service Progress Report**

The head of internal audit presented the internal audit progress report for the year to date.

The report summarised the work undertaken by the council's Internal Audit Service under the internal audit plan for 2011/12 and the work carried forward from the previous audit plan completed during April and May 2012.

The report supplemented the internal audit annual report also presented to the Audit Committee at the meeting.

Of particular concern to members was the council's procurement process which had been reported as an area of non-compliance. The committee was advised that procurement was being more tightly controlled through the introduction of Oracle and i-procurement systems. In addition, the Internal Audit Service was working with the new director of procurement to ensure that the control framework for procurement across the council was more robust. It was noted that a further assessment of the procurement process would be carried out once the changes were in place and that progress would be reported back to the committee.

**Resolved:** That the internal audit progress report for the year 31 March, 2012 and work relating to that year completed during April and May 2012 as now presented, be noted.

### **13. Counter fraud and special investigations annual report 2011/12**

The committee was reminded that following changes to the standards regime, the Audit Committee's remit had been extended to include oversight of the council's counter fraud and whistleblowing arrangements.

Ian Rushworth, principal auditor, presented a summary of the work performed by the Internal Audit Service during 2011/12 to support management in preventing and detecting fraud and corruption.

It was noted that during 2011/12, the Internal Audit Service had carried out 24 special investigations on a wide range of allegations including inappropriate expenditure, data breaches and failure to disclose business interests.

It was also noted that no single issue had been identified that would have a material impact on the county council's overall control environment. A copy of the annual report was presented at Appendix 'A'.

**Resolved:** That the 2011/12 counter fraud and special investigations report as now presented, be noted.

### **14. Audit Commission - Audit Committee update report June 2012**

Karen Murray, district auditor, presented an update of the audit work undertaken by the Audit Commission against the 2011/12 Audit Plan for the Council and Pension Fund.

It was noted that progress was on track and there were no issues or new audit risks to report. The report included details of the Commission's work programme

and scale of fees for 2012/13 which included an additional fee for undertaking a detailed review of the Council's internal audit.

**Resolved:-** That the report be noted.

## **15. ICT Update Report**

Andy Yates, head of enterprise architecture & design at One Connect Limited presented an update on the actions taken in response to the internal audit report on ICT services.

The report included progress on work performed and work planned in relation to ICT security and Vulnerability Management; the current Data Centre facility and; Information Governance and Acceptable Use Policies (AUP's).

The report also included an update on future major changes in relation to ICT. These changes included work packages that would allow a more mobile workforce and also increased engagement with all directorates to ensure that One Connect Limited were delivering ICT solutions that align with the business requirements of each directorate.

The Chair thanked the head of enterprise architecture & design for his detailed report.

**Resolved:-** That the report be noted.

## **16. Urgent Business**

There were no items of urgent business.

## **17. Date of Next Meeting**

**Resolved:** It was noted that the next meeting of the committee would be held on Wednesday 26 September 2012 at 2.00 p.m. at the County Hall, Preston.

I M Fisher  
County Secretary and Solicitor

County Hall  
Preston