

Report of the Audit and Governance Committee - Matters for Information

The following matters were considered by the Audit and Governance Committee at its meeting on 24 June 2013:

Part I

1. Audit and Governance Committee - working practices

Roy Jones, Assistant County Secretary, presented a report which sought to clarify the operational practices of the Audit and Governance Committee.

The Committee was informed that the note of proposed working practice would supplement its terms of reference.

Following discussion it was agreed that group secretaries be reminded of the requirement for those councillors who replace members on the committee to have received appropriate training before doing so.

Decision Taken: That the note of proposed working practice, as now presented, be endorsed, and that political group secretaries be reminded of the requirement for replacement members to have received appropriate training on the committee before their attendance at a meeting.

2. Review of Treasury Management 2012/13

A presentation was made to the committee by Mike Jensen, chief investment officer accompanied by George Graham, deputy county treasurer.

The report outlined the treasury management activities of the county council throughout 2012/13.

Decision Taken: That the review of treasury management activities in 2012/13 as shown at appendix A to the report now presented, be noted.

3. External Audit - update report June 2013

Karen Murray, director, Grant Thornton, presented an update of the audit work undertaken by the Grant Thornton against the 2012/13 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 a summary of emerging national issues and developments which were felt to be relevant to the council and included a number of challenge questions in respect of the emerging issues.

Decision Taken: That the report be noted.

4. Response of the Audit and Governance Committee chair to Grant Thornton's request for information to support its compliance with International Standards on Auditing

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

Decision Taken: That the response to Grant Thornton's request for information to support its compliance with international standards on auditing and quality control, as set out at Appendix A to the report presented, be approved and signed by the Chair of the committee.

5. Internal/external audit protocol

A report was presented on the internal/external audit protocol which set out how the council's Internal Audit Service and Grant Thornton as its external auditor work together and established a framework for coordination, cooperation and exchange of information.

Decision Taken: That the internal/external protocol be noted.

6. Internal Audit Service Charter

Ruth Lowry, Chief Internal Auditor, presented a report on an Internal Audit Service Charter.

Decision Taken: That the Internal Audit Service Charter as set out at Appendix A to the report presented be approved.

7. Internal Audit Service Progress Report

The Chief Internal Auditor presented the internal audit progress report which summarised the work undertaken by the council's Internal Audit Service under the internal audit plan for the period to 31 May 2013.

Members were concerned that the committee was able to give its full support to the council in ensuring that internal controls were adequate and effective, and it was agreed that where this was necessary, the chair and deputy chair would write to the appropriate executive director drawing attention to the committee's concerns where the Internal Audit Service was unable to provide any assurance.

It was unclear whether the previous chair of the committee had written, as agreed, to the chief executive regarding the committee's concerns over information governance. If he had not, then it was agreed that the current chair would do so.

Decision Taken: That:

- i) The internal audit progress report for the period 31 May, 2013 be noted.
- ii) Where necessary, the chair and deputy chair of the committee will write to the appropriate executive director drawing attention to the committee's concerns over internal control.
- iii) If the previous committee chair has not written to the Chief Executive regarding the committee's concerns in relation to information governance then the current chair will do so.

8. Internal Audit annual report to Lancashire County Council for 2012/13

The committee considered the Internal Audit annual report for 2012/13, as presented by Ruth Lowry, Chief Internal Auditor.

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 committee noted that there were some weaknesses in the design and inconsistent application of controls that put the achievement of the council's objectives at risk. These included the risks around information governance which was identified as being the single most significant control issue facing the council.

Following discussion it was agreed that prior to the next meeting in September, a briefing session would be provided to the committee by the appropriate officers on the progress being made to improve the council's arrangements to ensure good information governance.

Decision Taken:

- i) That the internal audit annual report to the authority for 2012/13 as set out at Appendix A to the report now presented be noted.
- ii) That prior to the next meeting in September, a briefing session be provided to the committee by appropriate officers on the progress being made to improve the council's arrangements to ensure good information governance.

9. Annual Governance Statement

A report on the Annual Governance Statement (AGS) was presented by Roy Jones, assistant county secretary and solicitor. 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.

The Statement included a commitment for the County Council to continue its information governance arrangements and to put in place appropriate measures.

Once approved by the Committee the Statement would be signed by the Leader and Chief Executive.

Decision Taken: That the Annual Governance Statement for 2012/13 as now presented at Appendix A to the report, be approved.

10. Internal Audit Plan for 2013/14

A report was presented on the outline annual internal audit plan for Lancashire County Council for 2013/14.

Decision Taken: That the internal audit plan for 2013/14 be approved.

Part II Matters

11. Counter fraud and special investigations annual report 2012/13

(Exempt information as defined in Paragraphs 1, 2 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

Ian Rushworth, Audit Manager, presented a report on a summary of the work performed by the Internal Audit Service during 2012/13 to support management in preventing, detecting and investigating fraud and corruption.

It was noted that no single issue had been identified that would have a material impact on the county council's overall control environment.

Decision Taken: That the 2012/13 counter fraud and special investigations report as now presented, be noted.