

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 30 March 2015:

The Council's Code of Corporate Governance and Annual Governance Statement 2014/15

The Committee received a report on the Council's draft Code of Corporate Governance and draft Annual Governance Statement 2014/15 which the Committee were invited to comment on.

The Committee were informed that that the County Council had approved the current Code of Corporate Governance in 2008 and it was therefore due for review, a commitment made in the Annual Governance Statement for 2014/15.

The draft revised Code drew on CIPFA guidance which defined the following six core principles which should underpin a local authority's governance framework:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risks
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust accountability

The draft revised Code included an Action Plan and the Committee was informed that this would be updated when the Code was presented for approval at its meeting in June. Any comments on the draft Code which Members may have should be provided to the Director of Governance, Finance and Public Services. The Committee were also asked to consider and comment on the draft Annual Governance Statement (AGS) for 2014/15 which would be presented for approval at the Committee's meeting in June.

The Committee were informed that there was still further work to be done with the AGS which would also need to reflect the Chief Internal Auditor's Annual Report for the year ended 31 March 2015 which would include her opinion on the Council's internal controls which had been subject to audit during the year.

In relation to Emerging Governance Issues, Members commented on the importance of ensuring that an effective risk management system was embedded

in the Council and were informed that Management Team had made arrangements for a risk workshop facilitated by Grant Thornton and that this work would inform the creation of a risk register. Once created this would be the subject of regular updates both to Management Team and Members, including the Audit and Governance Committee.

Decision Taken: That the Committee:

1. Noted the draft revised Code of Corporate Governance for the County Council and that any comments should be made to the Director of Governance, Finance and Public Services;
2. Noted that a final version of the draft Code would be brought to the next meeting of the Committee in June for approval with a recommendation that once adopted the Code will be reviewed on an annual basis;
3. Noted that a revised Annual Governance Statement for 2014/15 would be presented to the Committee at its meeting in June and that any comments on the draft AGS should be made to the Director of Governance, Finance and Public Services

Internal Audit Service Progress Report

The Committee considered the Internal Audit Service Progress Report for the period to mid-March 2015. The final report for 2014/15 will be presented to the Committee at their meeting in June 2015.

Since September 2014 internal audit work had been strongly focused on following up agreed remedial actions and on re-auditing areas with known control weaknesses as these were addressed by the Council's senior management teams. The Management Team was keen to rectify the control weaknesses reported in 2013/14 and to ensure that controls over areas of high and moderate risk are adequately designed and effective in operation.

In relation to the use of highways contractors where only limited assurance had been given the Committee was informed that controls in this area would be audited again in May. Members expressed concerns over the lack of evidence that procurement exercises had taken place as required where corporate contracts were not already in place. The Committee was advised that actions had been agreed to address the issues, for example training for staff in the highways depots, and more effective oversight by managers. Members indicated that if the issue was not addressed then the relevant managers should attend the Committee to explain why Financial and Procurement Regulations were not being complied with.

The Committee was also informed that in relation to debt management and recovery a new Income and Debt Management Policy had recently been agreed and arrangements were being put in place to implement the required changes from the end of June 2015.

In relation to counter fraud activity, the Committee were informed that during April 2015 e-learning would be provided for targeted staff working in finance, procurement and contract management posts to raise awareness of areas susceptible to fraud, as well as the whistle-blowing lines available to them.

Decision Taken: That the Committee note the Internal Audit Service Progress report for the period to mid-March 2015

Information Governance Arrangements - Update

The Committee received a progress report on Information Governance arrangements within the County Council.

The Committee had previously requested regular updates on progress in developing robust arrangements to manage the County Council's responsibilities to properly maintain the confidentiality and security of information. Since the last report in March 2014, significant progress had been made to create a robust information governance function within the Council.

The Information Governance Team now consisted of ten members of staff all dedicated to:

- Protecting the confidentiality and security of the Council's information
- Giving public access to official information via Freedom of Information requests and access to one's own personal information via Data Protection Subject Access requests

It was also reported that in March 2015 the Information Commissioners Office (ICO) had undertaken a voluntary audit of the new information governance arrangements in place. As a result of the audit, the ICO would not be taking any further action on the information security breaches previously suffered within the Council.

From December 2014 to March 2015, the Council's Internal Audit Service had also carried out an audit of the new information governance arrangements, looking at a controls relating to resources, security breaches, roles and responsibilities, access controls, training, information sharing, records management, policies and an overarching framework.

Internal Audit had concluded that the Council's information governance arrangements now offered substantial assurance.

Decision Taken: That the Committee note the report

External Audit - Lancashire County Council Audit Plan

The Chair welcomed Karen Murray, Director for Grant Thornton, to the meeting. Karen presented a report on the Lancashire County Council External Audit Plan for 2014/15.

The Audit Plan set out the nature and scope of work that the Authority's external auditor would carry out to discharge its statutory responsibilities, compliant with the Audit Commission Act 1998 and the Code of Audit Practice for Local Government.

This audit plan was specific to the financial year 2014/15 and set out in broad terms the programme of work required to give a financial opinion on whether the financial statements:

- Gave a true and fair view of the financial position of the County council as at 31 March 2015 and of its expenditure and income for the year then ended;
- Had been prepared in accordance with proper accounting practice;
- Gave a Value for Money conclusion

There were two significant risks identified in the Audit Plan that External Audit would focus its efforts on. These were:

- The revenue cycle included fraudulent transactions
- Management over-ride of controls

Other risks identified in the Audit Plan were:

- Operating expenses
- Employee remuneration
- Accounting for local authority maintained schools
- Waste PFI
- City Deal

The Committee was informed that External Audit had undertaken a risk assessment to identify areas of risks to the Value for Money conclusion. Four areas focussed on were:

- Action taken by management in response to the issues raised in the 2013/14 annual governance statement and the County Council's arrangements to prepare the statement for this year
- Review of the overall governance framework
- LCC's progress in delivering savings and the associated transformation programme included in the 2014/15 budget
- The robustness of the 2015/16 budget and plans to 2017/18 which identified savings of £146.2 million in the three years period.

Members were informed that the audit would be completed by the end of September 2015.

Decision Taken: That the Committee note the External Audit Plan for the audit of the County Council for 2014/15

External Audit - Lancashire County Council Update Report

Karen Murray, Director for Grant Thornton, presented an update report including progress to date with the 2014/15 audit of accounts, Value for Money (VfM) conclusion and other work.

The outcome of External Audit's work would be reported to the Audit and Governance Committee throughout the year. The report also provided a summary of emerging national issues and developments.

Decision Taken: That the Committee note the update report.