

Lancashire County Council

Audit and Governance Committee

Minutes of the Meeting held on Monday, 9th May, 2016 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

County Councillor Terry Brown (Chair)

County Councillors

K Brown	C Pritchard
D Clifford	A Schofield
C Dereli	V Taylor
G Driver	B Winlow

Officers in attendance

Ian Young - Director of Governance, Finance and Public Services

Neil Kissock – Director of Finance

Paul Bond – Head of Legal & Democratic Services

Ruth Lowry - Head of Internal Audit

Khadeja Saeed – Head of Corporate Finance

Karen Murray - Director, Grant Thornton

Caroline Stead - Grant Thornton

Cath Rawcliffe – Committee Support Officer

1. Apologies

None received.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

County Councillor C Pritchard declared a non pecuniary interest in item 8 as Lead Member for Waste Management.

3. Minutes of the Meeting held on 25 January 2016

The minutes of the meeting held on 25 January 2016 were presented and agreed.

Resolved: That the Minutes of the meeting held on 25 January 2016 be confirmed and signed by the Chair.

4. Internal Audit annual report

Ruth Lowry, Head of Internal Audit, presented an update on the progress made on the audit work undertaken for the county council during 2015/16, and gave an

indication of the planned improvements that the council may wish to reflect in its annual governance statement.

Previously the Committee had noted that the Internal Audit Service would not be able to undertake a sufficient breadth of work to support an overall audit opinion in 2015/16 as the Internal Audit Service would focus its assurance work solely on the council's centrally managed key financial systems.

The report therefore provided an update on the progress made on the audits of the centrally managed key financial systems, and the outcomes where appropriate.

In response to concerns raised by the committee, officers confirmed that the Internal Audit Service would be able to undertake a sufficient breadth of work to support an overall audit opinion in 2016/17.

Resolved: That the Internal Audit annual report to the authority for 2015/16, as set out at Appendix 'A' to the report now presented, be noted.

5. Internal Audit Charter

Ruth Lowry, Head of Internal Audit, presented a report on a revised Internal Audit Charter.

The committee was informed that the Charter establishes the framework within which Lancashire County Council's Internal Audit Service operates to best serve the council and to meet its professional obligations under applicable professional standards. It defines the purpose, authority and responsibility of internal audit activity, establishes the Internal Audit Service's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

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

6. Internal/ external audit protocol

Ruth Lowry, Head of Internal Audit, presented a report on a revised Internal/External Audit Protocol.

The protocol set out how Lancashire County Council's internal Audit Service and Grant Thornton as its external auditor work together, and establishes a framework for coordination, cooperation and exchange of information.

Resolved: That the internal/external protocol be noted.

7. Internal Audit Quality and Assurance Improvement Programme

Ruth Lowry, Head of Internal Audit, presented a report on a revised Internal Audit Quality and Assurance Improvement programme.

The committee was advised that the quality assurance and improvement programme would:

- Formalise the arrangements in place to ensure the quality of internal audit work across the county council;
- Enable the Internal Audit Service to evaluate and demonstrate its conformance with the applicable professional standards; and
- Assess the efficiency and effectiveness of the Internal Audit Service's work and identify opportunities for improvement.

Resolved: That the Quality Assurance and Improvement Programme as set out at Appendix A to the report presented, be noted.

8. External Audit - Lancashire County Council Audit Plan 2015/16

Karen Murray, Director for Grant Thornton, presented the External Audit – Lancashire County Council Audit Plan 2015/16 report to the Committee.

The Plan set out the main risk areas which the audits would focus on. These included the council's financial statements and value for money (VFM).

It was reported that the result of the VFM audit work and the key messages arising would be presented to the Audit and Governance Committee at their meeting on 26 September 2016.

In the presentation, Karen Murray highlighted several areas for member's attention that included:

- Materiality
- Significant risks
- Value for Money
- The results of interim audit work
- The fee for the audit of the County Council

Officers responded to concerns raised by the Members in relation to the significant risk identified by the External Auditor on the valuation and planned mothballing of the waste processing services. The Committee requested that work on such be progressed and reported back to the next meeting on 30 June 2016.

Resolved: - That the External Audit Plan for the audit of the County Council for 2015/16, and the fees therein, be agreed.

9. External Audit Lancashire County Pension Fund Audit Plan 2015/16

Karen Murray, director, Grant Thornton presented the External Audit Plan for the audit of the pension fund for 2015/16.

The Audit Plan set out the main risk areas which the audit would focus on including:

1. the two default risks as highlighted in ISA+315 applicable to all audits on the revenue cycle includes fraudulent transactions and management override of controls;
2. the risk of incorrect valuations on Level 3 investments, which by their nature require a significant degree of judgement to reach an appropriate valuation at year end; and
3. other key risks areas around member data, investments, contributions and benefits payable.

The committee noted that the fee for the audit of the pension fund had been set at £35,906, the same as that charged in 2014/15.

Resolved: That the fees and External Audit Plan for the audit of the Lancashire County Pension Fund for 2015/16 as now presented be agreed.

10. External audit - audit update

Karen Murray, director, Grant Thornton, presented an update of the audit work undertaken by the Grant Thornton against the 2015/16 audit of accounts, Value for Money (VfM) conclusion and other work.

The report also provided additional information on sector developments to the members of the Audit and Governance Committee as those charged with governance for the Council.

Resolved:- That the update report be noted.

11. Urgent Business

There were no items of urgent business.

12. Date of Next Meeting

It was noted that the next meeting of the Committee would be held on Thursday 30 June 2016 at 2:00pm at County Hall, Preston.

13. Exclusion of Press and Public

Resolved: That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the paragraph of Part 1 of schedule 12A to the Local Government Act, 1972, indicated against the heading to the item. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information

14. Annual report on counter-fraud, investigations and whistleblowing

Not for Publication – Exempt information as defined in Paragraphs 1 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

The Head of Internal Audit presented a report on a summary of the work performed by the Internal Audit Service during 2015/16 to prevent, detect and investigate fraud and corruption within the County Council.

It was noted that no single issue had been identified that would have a material impact on the county council's overall control environment. However, there were areas that should be reviewed and strengthened.

A copy of the annual report was presented at Appendix 'A'.

Resolved: That the 2015/16 counter fraud, investigations and whistleblowing report as now presented, be noted.

I Young
Director of Governance, Finance
and Public Services

County Hall
Preston