

Lancashire County Council

Audit and Governance Committee

Monday, 25th November, 2013 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Agenda

Part 1 (Open to Press and Public)

No.	Item
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1.	Apologies
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2.	Disclosure of Pecuniary and Non-Pecuniary Interests
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Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.

3.	Minutes of the Meeting held on 30 September 2013	(Pages 1 - 8)
	To be confirmed, and signed by the chair.	

4.	External Audit	(Pages 9 - 28)
	Lancashire County Council and Lancashire County Pension Fund - Annual Audit Letter 2012/13	

5.	Information Governance Arrangements Update	(Pages 29 - 32)
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6.	Urgent Business
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An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

7.	Date of Next Meeting
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The next meeting of the Committee will be held on Monday 27 January 2014 at 2.00pm at County Hall, Preston.

County Hall
Preston

I M Fisher
County Secretary and Solicitor

Agenda Item 3

Lancashire County Council

Audit and Governance Committee

Minutes of the Meeting held on Monday 30 September 2013 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

County Councillor Clare Pritchard (Chair)

County Councillors

K Brown	A Schofield
T Brown	D Westley
D Clifford	B Winlow
C Dereli	G Driver

County Councillor G Driver replaced County Councillor V Taylor on the Committee.

Standing Order 19(1)

County Councillors D Borrow and A Ali attended the meeting under Standing Order 19(1) and addressed the committee in relation to agenda item 9.

Officers in attendance

Gill Kilpatrick – county treasurer
George Graham – deputy county treasurer
Abigail Leech - head of financial accounting and taxation
Mike Jensen – chief investment officer
Ruth Lowry – chief internal auditor
Ian Rushworth – audit manager
Karen Murray – director, Grant Thornton
Fiona Blatcher – associate director, Grant Thornton
Ian Young – deputy county secretary
Roy Jones - assistant county secretary
Cath Rawcliffe – committee support officer

1. Apologies

None received.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None declared.

3. Minutes of the Meeting held on the 24 June 2013

Reference was made to Resolution 12 iii) of the Minutes which called on the current chair of the committee to write to the chief executive in relation to information governance providing that the former Chair had not already done so.

The Committee noted that due to a set of circumstances, the former chair was unaware that he should write to the chief executive and therefore the current chair had subsequently written to the chief executive on the 5 August 2013.

Resolved: That the Minutes of the meeting held on 24 June 2013 be confirmed and signed by the Chair.

4 Annual Governance Statement 2012/13

Roy Jones, Assistant County Secretary, presented a revised Annual Governance Statement (AGS) for 2012/13, for inclusion in the County Council's Statement of Accounts for 2012/13, to be considered by the Committee at item 9.

The AGS had previously been approved by the committee at their meeting in June but following discussions with the External Auditor it had been decided to produce a revised statement.

The revised AGS had been carefully considered by the Management Team and included the recognition that although the Chief Internal Auditor had provided substantial assurance overall that there was generally a sound system of internal control, some weaknesses in the design and inconsistent application of controls put the achievement of particular objectives at risk. The AGS also reflected the revised arrangements whereby the Chief External Auditor would provide quarterly reports to the Management Team where assurance was either limited or none.

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 2012/13 as now presented at Appendix A to the report, be approved.

5. Approval of the County Council and Pension Fund Letters of Representation 2012/13

A report was presented on the County Council's Management Representation Letter at Appendix A and that for the Lancashire County Pension Fund at Appendix B to the report.

The committee was informed that the Management Representation Letters should be made available to the external auditors (as part of the audit evidence) before the audit report was issued.

It was noted that the Management Representation Letters would be signed on behalf of the Lancashire County Council and the Lancashire County Pension

Fund by the County Treasurer and the Chair of the Audit and Governance Committee and the Committee was asked to approve them.

Resolved: That the management representation letters as shown at Appendices A and B to the report now presented be approved.

6. External Audit Lancashire County Council 2012/13 - Audit Findings Report

A report was presented on the overall findings of the external auditor in relation to the audit of the annual accounts of Lancashire County Council, their proposed opinion on those accounts, and conclusion on the Council's value for money arrangements.

In commenting on the county council's accounts, Karen Murray, external auditor, informed the committee that the draft accounts were overall, prepared to a good standard. However, a number of material amendments had been identified within the financial statements and these had been discussed with the County Treasurer and members of her team.

The report also included the value for money conclusion. The opinion given in the report confirmed that the council had proper arrangements in place for securing financial resilience and for securing economy, efficiency and effectiveness in its use of resources. It was expected that an unqualified value for money conclusion would be issued for the year ended 31 March, 2013.

The committee noted that the external auditor was unable to issue the audit certificate to close the 2012/13 audit at this time. This was because the auditor needed to consider the outcome of the Council's own work to review its arrangements in respect of the weaknesses identified in procurement and governance. It was also noted that a further report would be presented to the committee when the certificate was issued.

The committee's attention was drawn to amendments to the narrative on page 59 of the agenda papers. The revised page was circulated at the meeting. (Copy set out at Annex A to the Minute Book)

Resolved: That:

- i) The external audit findings report covering the audit of the County Council for year ended 31 March 2013 be noted.
- ii) The adjustments to the financial statements and other issues raised by the auditor as set out in the report presented, be noted.

7. External Audit Lancashire County Pension Fund Annual Audit Findings - 2012/13

A report was presented on the audit findings in relation to the accounts of the Lancashire County Pension Fund.

In commenting on the Lancashire County Pension Fund account, Fiona Blatcher, external auditor, informed the committee that the audit work had not identified any material adjustments affecting the Fund's draft financial position. However, a number of minor amendments had been identified and these had been discussed with the Treasurer to the Pension Fund and officers, and where appropriate the accounts had been amended.

Resolved: That:

- i) The external audit findings report covering the audit of the Lancashire County Pension Fund for year ended 31 March 2013 be noted.
- ii) The adjustments to the financial statements and other issues raised by the auditor as set out in the report presented, be noted.

8. Approval of the Lancashire County Pension Fund's Statement of Accounts 2012/13

The committee was asked to approve the Lancashire County Pension Fund's Statement of Accounts for 2012/13, as presented by George Graham, deputy county treasurer.

Regulations governing the process and delegated authority from the county council required that the chair of the committee sign off the accounts once they were approved by the committee.

The Statement of Accounts had been prepared in accordance with International Financial Reporting Standards and initial consultation with the external auditors, Grant Thornton and included details of an overview of management and financial performance, the governance and administration of the Fund, investment policy and performance, the Fund accounts and the actuarial valuation.

Resolved: That the Lancashire County Pension Fund's Statement of Accounts for 2012/13 be approved and signed by the chair of the committee.

9. Approval of the County Council's Statement of Accounts 2012/13

The committee was asked to approve the county council's Statement of Accounts for 2012/13, as presented by Gill Kilpatrick, county treasurer and George Graham, deputy county treasurer.

Regulations governing the process and delegated authority from the county council required the chair of the committee to sign off the accounts once they were approved by the committee.

The committee was informed that the Statement of Accounts had been prepared in accordance with the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A number of accounting adjustments agreed with the external auditor and shown in their Audit Findings report at Item 6 of the agenda were reflected within the statement.

The committee was taken through the main components and key issues of the statement. This included the disclosure note on senior officers remuneration which had been amended from the draft accounts published on the 28 June 2013.

Lengthy discussion was had on the overall remuneration paid to the county council's former executive director, transformation/ chief executive officer of One Connect Ltd. The county treasurer explained why it was necessary for the disclosure note to be amended in accordance with the Accounting Code of Practice and explained that the authorisation for these payments was currently under review. It was confirmed that the executive director, transformation was an employee of the County Council and that his appointment, via a secondment from the County Council to the post of chief executive officer with OCL did not create a formal employer/employee relationship with either OCL or BT. The Council's External Auditor confirmed that in her view the amendment to the disclosure note was appropriate.

It was agreed that the committee would receive a report on the outcome of the review of the authorisation and governance of the remuneration payments at a future meeting.

Councillor Schofield queried whether the headings on the 'Comparative year' table on page 192 of the agenda papers should refer to the years 2011 and 2012. It was acknowledged that this was the case and it was agreed that the appropriate amendments would be made to the final Statement of Accounts

The Lancashire County Pension Fund accounts were also included with the accounts as well as a separate item on the agenda.

Resolved: i) That subject to minor amendments to the narrative on the page 192 of the agenda papers as now reported, the Lancashire County Council Statement of Accounts for 2012/13 be approved and signed by the chair of the committee.

ii) That a report on the authorisation and governance of the remuneration payments to the former executive director, transformation/ chief executive of One Connect Ltd be brought back to the committee.

10. External Audit

Lancashire County Council 2012/13 - Financial Resilience Report

Karen Murray, external auditor presented a report on an assessment of the Council's arrangements for securing financial resilience.

The committee noted that overall, the council had performed well, that it had a strong track record on delivering its budget and a robust approach to performance management. The committee also noted the main messages from the report, particularly those areas assessed as medium risk around:

- systems of internal control;
- responsiveness of the financial plan to meeting future challenges;
- reviewing current procurement arrangements and implementing arrangements to strengthen these as appropriate;
- considering whether existing arrangements provide members with adequate assurances that key risks are being properly identified, mitigated and managed.

Resolved: That the financial resilience report for 2012/13 at Appendix A to the report now presented be noted.

11. Update on Treasury Management Activity

A presentation was made to the committee by Mike Jensen, chief investment officer on a review of the county council's treasury management activities during the current financial year to the end of August and included:

- A review of the economic conditions during 2013/14
- An assessment of the appropriateness of treasury strategy within the current and predicted economic environment
- Borrowing activity
- Investment activity
- Actual results measured against 2013/14 prudential indicators and treasury management indicators.

Details of the treasury management activities were presented at appendix A.

Resolved: That the update on treasury management activities as shown at appendix A to the report now presented, be noted.

12. Internal Audit Service Progress Report

Ruth Lowry, chief internal auditor, presented an internal audit progress report for the six months to 30 September 2013.

The report summarised the main issues emerging from the internal audit work completed to date. The report also set out the work performed against the annual audit plan for the year and the assurance assessment provided where work had been completed, including work to assess progress against management's agreed action plans.

The report highlighted the key issues impacting on the audit plan including the suspension of a senior officer and the recent resignation of the chief executive and other senior managers from One Connect Limited (OCL). It was noted that a review of the flow of funds between the council and OCL was on-going and would complement the review by the County Treasurer in the same area. However, the work on performance monitoring of OCL's work for the council was currently held in abeyance.

Reference was made to the briefing session provided to the committee earlier that day on the progress being made to improve the council's arrangements to ensure good information governance. It was noted that work was continuing to develop the council's information governance arrangements and to meet the requirements of the National Health Service in particular.

It was agreed that an update on the progress being made in this respect would be presented to a special meeting of the committee to be arranged for 25 November 2013.

Resolved: That:

- i) The internal audit progress report for the six months to 30 September 2013 as now presented be noted;
- ii) A further update on the progress being made in relation to information governance be presented to a special meeting of the Audit and Governance Committee on the 25 November, 2013.

13. Public Interest Disclosure Act 1998 (Whistleblowing Act) Summary 2012/13

Ian Rushworth, internal audit manager presented a report on the complaints dealt with arising from the council's Whistleblowing Policy in the previous 12 months.

Since the last report in May 2012, the internal audit service had received 21 complaints which fell under the policy. Details of the complaints were shown at Appendix A to the report. The committee noted that 11 complaints related to financial issues whilst the remainder were categorised as general issues.

The 21 complaints represented a significant increase on the 7 cases logged in the previous 12 months. It was speculated that this could be as a result of the policy being re-communicated and a number of high profile investigations.

Resolved: The internal audit progress report for the six months to 30 September 2013 as now presented be noted.

14. Urgent Business

There were no items of urgent business.

15. Date of Next Meeting

Resolved: That:

- i) A special meeting of the committee be held on Monday 25 November 2013 at 2.00pm at County Hall, Preston.
- iii) The next ordinary meeting of the committee be held on Monday 27 January 2014 at 2.00pm at County Hall, Preston

I M Fisher
County Secretary and Solicitor

County Hall
Preston

Audit and Governance Committee

Meeting to be held on 25 November 2013

Electoral Division affected: All

External Audit

Lancashire County Council and Lancashire County Pension Fund - Annual Audit Letter 2012/13

Appendix A refers.

Contact for further information:

Karen Murray, 0161 234 6364, Director, Grant Thornton

karen.l.murray@uk.gt.com

Executive Summary

The report sets out the external auditor's Annual Audit Letter for 2012/13.

Recommendation

The Committee is asked to consider the audit conclusions summarised in the Annual Audit Letter for 2012/13 as set out at Appendix 'A'.

Background and advice

The Annual Audit Letter (Letter) summarises the key findings from the 2012/13 audit including:

- audit of the 2012/13 financial statements for the County Council and the Lancashire County Pension Fund and the Whole of Government accounts Submission;
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources;
- certification of grant claims and returns

The Letter is intended to communicate key messages arising from the 2012/13 audit to the Council and external stakeholders, including members of the public

The letter will be considered by Cabinet at its meeting on 5 December 2013.

Implications:

This item has the following implications, as indicated:

N/A

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Directorate/Tel
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N/a		
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Reason for inclusion in Part II, if appropriate

N/A

The Annual Audit Letter for Lancashire County Council

Year ended 31 March 2013

October 2013

Karen Murray
Engagement Lead
T 0161 953 6900
E karen.l.murray@uk.gt.com

Len Cross
Audit Manager
T 0161 234 6387
E leonard.e.cross@uk.gt.com



Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	6
3. Value for Money	8
4. Certificate	
5. Certification of grant claims and returns	12

Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certificate

05. Certification of grant claims and returns

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Lancashire County Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts for the County Council and the Lancashire County Pension Fund and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in our Audit Findings Reports on 30 September 2013

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plans that we issued in March 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year.
- an unqualified opinion on the accounts of the Lancashire County Pension Fund for the financial year ended 31 March 2013
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission.

We are unable to issue our certificate to formally close the audit for the 2012/13 financial year as we are waiting for the Council to complete the work it is undertaking around governance and procurement.

Executive summary

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

The Council has faced significant reductions in its funding from central government over the lifetime of its current three year budget. To address this, it has taken a long term view at a strategic level to ensure the savings needed were secured on a sustainable and recurrent basis.

Work is now underway to develop the strategy and budget for the period to March 2017 in line with the Council's priorities. However, the estimated savings of £300m by March 2017 which equates to 38% of current spending, presents a significant challenge.

In 2012/13, the Head of Internal Audit concluded the Council has a generally sound system of internal control in place. However, she provided no or limited assurance about operation of controls in 48% of the reviews she undertook. Whilst we acknowledge that the audit plan, and therefore the focus of internal audit work, is on those areas management consider to be high risk, we are pleased to see that management team has recognised the need for further and faster improvement in the application of controls.

The Council continues to provide a key role in working with partner bodies, including central government and other councils, to promote and facilitate economic regeneration and job creation in the county area. The Council's role in managing funding streams will be pivotal to delivery of the recently announced Preston City Deal. This provides investment of £400m for a mix of infrastructure and new road projects and the construction of some 17,000 new homes.

We issued an unqualified conclusion in respect of the Council's arrangements for securing value for money. However, in doing so, we recognised that weaknesses in the overall framework have recently been identified by the Council in relation to procurement and some aspects of good governance. The Council is now investigating these issues.

Pending the conclusion of this work we are unable to issue our certificate for 2012/13 confirming completion of our audit in accordance with the Code of Practice and Audit Commission Act 2013.

Acknowledgements

This Letter has been agreed with the County Treasurer and will be presented to Audit and Governance Committee in November 2013 and to the County Council's Cabinet in December 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certificate

05. Certification of grant claims and returns

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 28 June 2013 in accordance with the national deadline.

Issues arising from the audit of the accounts

The draft accounts were, prepared to a good standard and were supported by good quality working papers.

A number of material amendments were agreed to the Statement of accounts, mostly in relation to grant income, financial instruments and the Cash flow statement. However, these did not affect the overall reported financial position of the Council or the pension fund.

Our detailed findings are set out in our Audit Findings Reports presented to the Audit & Governance Committee on 30 September 2013.

Weaknesses in control

The Council has addressed the control weakness reported by the previous auditor that lead to a potential misclassification of monies between the Council's accounts and those of the Pension Fund. The issue has now been resolved and appropriate journal transfers were made in 2012/13 to correct the position.

Annual governance statement

The annual Governance Statement (AGS) was amended during the audit to better reflect the way in which management team will address control deficiencies identified through Internal Audit reports.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit & Governance Committee at the Council). We presented our reports to the Audit Committee on 30 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 30 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certificate

05. Certification of grant claims and returns

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

The Council has taken a sensible, long term view at a strategic level to help ensure that savings made over recent years are secured on a sustainable and recurrent basis. It has successfully delivered its savings plans and has taken some £217m out of the Council's cost base over the course of the current three year budget. The Council is on track to deliver its financial plan for 2013/14.

Work is now underway to develop the budget for the period to 31 March 2017 in line with the Council's priorities. In doing, so the Council recognises that it must deliver savings of £300m over the life of the budget. This equates to 38% of current spending and therefore presents a significant financial challenge.

In 2012/13, the Head of Internal Audit concluded the Council has a generally sound system of internal control. However, she provided no or limited assurance about operation of controls in 48% of the review she undertook. Whilst we acknowledge that the audit plan, and therefore the focus of internal audit work, is on those areas management consider to be high risk, we are pleased to see that management team has recognised the need for further and faster improvement in the application of controls.

The Council has recently identified some weaknesses in its overall arrangements relating to procurement and good governance. Work is now underway to investigate these issues.

Value for Money

In our Financial Resilience report presented to members we also highlighted scope to further improve the:

- treasury management function's controls framework, in particular developing and maintaining treasury management documentation which clearly define processes and responsibilities;
- risk management arrangements the Council has in place to obtain positive assurances that all significant risks are being properly identified, evaluated and managed and the basis for more effective member challenge on the adequacy of arrangements for managing risk

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

The Council has successfully achieved savings of £217m over the last three years through a mix of efficiency and policy measures. In delivering these savings, the Council has looked to protect the level and quality of services provided to residents and has managed the additional pressures faced by some demand-led services.

However, the Council anticipates the need to make further savings of £300m over the life of its next three year budget. Recognising the scale of this challenge, the Council has set aside earmarked reserves to support:

- strategic investment;
- service transformation; and
- downsizing.

These reserves will assist the Council in making the changes necessary to deliver the financial plan.

The Council continues to provide a key role in working with partner bodies, including central government and other councils, to promote and facilitate economic regeneration and job creation in the county area. The Council's role in managing funding streams will be pivotal to delivery of the recently announced £400m Preston City Deal, involving a mix of infrastructure and new road projects and the construction of some 17,000 new homes

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certificate

- 01. Executive summary
- 02. Audit of the accounts
- 03. Value for Money
- 04. Certificate**
- 05. Certification of grant claims and returns

Certificate

Certificate

We are required to issue a certificate each year to confirm that we have completed our audit in accordance with Audit Commission Act 1998 and the Code of Audit Practice.

We normally do this, to formally "close" the audit, as we issue our opinion on the statement of accounts and the value for money conclusion. However, we are unable to issue our certificate for 2012/13. This is because we are waiting for the Council to complete the work it is undertaking around governance and procurement. We will then decide whether we need to take any formal audit action in light of the outcome of the Council's review.

Section 5: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certificate

05. Certification of grant claims and returns

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

For 2012/13 the Council has only one grant claim or return that is subject to the Audit Commission's certification regime. This is the Teacher's Pension Return. We are currently in the process of completing our certification work on this return and will report the outcome as appropriate in due course.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit. There were no fees for the provision of non audit services.

The fee for the pension fund reflects the final scale fee determined by the Audit Commission.

The final fee for the audit of grant claims will be determined by the Audit Commission as the work is completed.

Fees

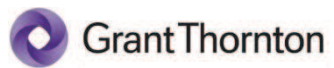
	Per Audit plan £	Actual fees £
Audit Fee	150,660	150,660
Audit Fee – Pension Fund	41,505	41,194
Grant certification fee	3,700	TBC – work in progress
Total fees	195,865	TBA

Fees for other services

Service	Fees £
There were no fees for the provision of non audit services	Nil

Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	September 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



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Audit and Governance Committee

Meeting to be held on 25th November 2013

Electoral Division affected: None

Information Governance Arrangements - update

Contact for further information:

Andy Wilkinson, 01772 533378, Office of the Chief Executive,
andy.wilkinson@lancashire.gov.uk

Executive Summary

A progress report on Information Governance (IG) arrangements within the County Council.

Recommendation

The Committee are asked to note the report.

Background and Advice

The Committee have previously requested updates on progress in developing robust arrangements to manage the County Council's responsibilities to properly maintain the confidentiality and security of information. The Chair also wrote to the Chief Executive in August 2013 expressing the Committee's concerns particularly that little seemed to be being done to ensure that there was general awareness amongst the council's staff of the need for information security, how to guard this effectively, how to recognise that security had been breached and what action to take if it had.

The Committee will be pleased to know that in her response, the Interim Chief Executive gave a clear commitment on behalf of the Management Team that everything that could reasonably be expected of a public authority the size of Lancashire County Council was put in place to demonstrate that, as an organisation, we could be trusted to maintain the confidentiality and security of information.

She went on to outline a number of areas where good progress had been made, notably the putting in place of appropriate policies and procedures, the appointment of a Senior Information Risk Owner (SIRO) and Caldicott Guardian and the establishment of Corporate Information Governance Group at senior level to ensure IG is managed and communicated properly across the Authority.

Efforts had already been made to remind all staff across the Authority of their IG responsibilities but it was recognised that much more needed to be done. To that end, One Connect Ltd (OCL) had been commissioned to do a detailed study of what the Authority's IG resource requirements were going forward. Unfortunately, due to

the recent departure of staff within OCL who were undertaking that work, that report has not been forthcoming.

It is proposed therefore that the County Council, as a matter of urgency, appoint a Head of Information Governance, one of whose first priorities when appointed will be to assess the level of resource required to manage this highly important area of work. Clearly, the recruitment process will take some time to complete and it is not expected to have someone in post until Spring 2014. In the interim, a senior officer within the County Secretary and Solicitor's Group has been nominated Information Governance Lead and his main focus will be to ensure any security breaches are handled properly, that action is being taken to mitigate against such breaches and to progress work to ensure the County Council meets the requirements of the NHS IG toolkit. Consideration is also being given to the transfer of a member of staff from within OCL to assist the Lead officer and possibly the temporary secondment of other staff within the Council.

As for the toolkit, good progress is being made and there is now only one assessment category on which the County Council has yet to achieve the required 'Level 2' attainment. That category relates to the maintenance of an up to date register of all the Council's information assets and their owners. In order to address this, a cross directorate task and finish group has been established and is now working to pull together an up to date Information Asset register for the Council and to identify IA Owners by mid-December 2013. This audit is just the first, but very important, part in ensuring our IAs are properly recorded, protected and managed in the future.

Some progress has also been made on moving towards a 'Level 3' attainment which the County Council is required to do by April 2014.

Consultations

N/A

Implications:

N/A:

Risk management

Serious risks to meeting the County Council's requirements relating to Information Governance will arise if sufficient resources to manage the function are not identified and deployed.

Financial implications

Responsibility for Information Governance transferred to OCL in May 2011, together with the funding for the provision of the service. As the service has returned to the County Council, the funding paid to OCL will be adjusted in accordance with the contract, and will, as a minimum, be sufficient to fund the proposed post.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Directorate/Tel
Letter from the Chair of the Audit and Governance Committee to the Chief Executive.	5 August 2013	Andy Wilkinson, CSSG, 33378
Interim Chief Executive response.	17 September 2013	Andy Wilkinson, CSSG, 33378

