

Lancashire County Council

Audit and Governance Committee

**Minutes of the Meeting held on Monday, 26th June, 2017 at 2.00 pm in
Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

Present:

County Councillor Alan Schofield (Chair)

County Councillors

E Nash	E Lewis
P Williamson	M Barron
J Shedwick	J Mein
J Berry	

1. Apologies

Members noted that there were no apologies and that County Councillor Jennifer Mein attended in place of County Councillor Miles Parkinson and County Councillor Malcolm Barron for County Councillor Alan Vincent.

2. Constitution: Membership; Chair and Deputy Chair; Terms of Reference

Members were advised that there was a revision required to recommendation 4 in the report 'that further revision of the Terms of Reference be submitted to Full Council in July for approval'. Members noted that the amended recommendation would show that 'the revised Terms of Reference would be submitted to Full Council in September for approval' following presentation at the July meeting of the Audit and Governance Committee.

Resolved: That the following be noted;

- i. The new Membership of the Committee following the County Council's Annual Meeting;
- ii. The appointment of Chair and Deputy Chair of the Committee;
- iii. The Terms of Reference of the Committee and;
- iv. That further revision of the Terms of Reference be submitted to Full Council in September for approval

3. Disclosure of Pecuniary and Non-Pecuniary Interests

There were no declarations of interest at this time.

4. Minutes of the Meeting held on 3 April 2017

Item 7 - Neil Kissock, Director of Financial Resources, confirmed to members that a follow up report around the concerns raised on the payroll processing by BTLS would be brought to the Committee in either the July or September meeting.

Resolved: That;

- i. The minutes of the meeting held on the 3 April 2017 be confirmed and signed by the Chair.
- ii. A report on BTLS payroll processing be presented to a future meeting of the Committee

5. Treasury Management Activity 2016/17

Khadija Saeed, Head of Service Corporate Finance, presented the report on Treasury Management Activity for 2016/17 to the Committee. The review included:

- Economic conditions during 2016/17
- Borrowing activity
- Investment activity
- Actual results measured against 2016/17 Prudential Indicators and Treasury Management Indicators

With regards to the council tax indicator information detailed on page 9 of the report, further information was requested and agreed to be circulated to members (and substitutes).

Resolved: The review of treasury management activities for 2016/17 be noted.

6. Lancashire County Council - Treasury Management Investment Policy

Khadija Saeed and Karl Massey (Local Pensions Partnership) presented the report on the Treasury Management Investment Policy which set out a review of the current policy to consider whether the type of investments held were the most appropriate in line with future anticipated levels of resource and economic context.

It was highlighted that Arlingclose, as the Council's treasury management advisers, have assisted with supporting the County Council through the process. In addition, it was confirmed that the external auditors raised no issues on the information contained in the report.

It was confirmed that the three year period was matched to the Medium Term Financial Strategy which included plans for the decisions already made. It was reported that it was not possible to include variations to the forecast further ahead than three years due to the lack of information available.

It was reported that in relation to an assessment of the ethical investment strategy of the Equity Fund, a fund selection process would need to be identified and set up in order to identify appropriate investment funds.

Resolved: That the change to the Treasury Management Strategy allowing investment in property and equity investment funds of up to £50m in each category as set out in the report be considered and agreed to be submitted to Full Council for approval.

7. The Council's Annual Governance Statement 2016/17 & Code of Corporate Governance

Ian Young, Director of Governance, Finance and Public Service, presented the report to members on the Annual Governance Statement (AGS) 2016/17 and the Code of Corporate Governance.

Members were advised that the AGS was in a new format, reflecting new guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). Also, given the requirement for a narrative statement to be included in the Statement of Accounts, the AGS had not duplicated the same information and was deliberately briefer than in previous years.

The Committee were informed that the continuing themes for 2017/18 would include the County Council's financial position, the continued delivery of the Ofsted improvement plan and health and social care integration.

The Committee commented on the technical language used in the AGS and as a result the inaccessibility to members of the public. This was acknowledged and the Committee were given a commitment to improve the format of future AGS reports in order to make them more accessible.

Resolved: That;

- i. The draft Annual Governance Statement for 2016/17 for inclusion in the draft Statement of Accounts be considered and approved
- ii. The Annual Governance Statement signed by the Chief Executive and Leader of the Council and published on the Council's website following the final approval of the Statement of Accounts be noted
- iii. The updated Code of Corporate Governance and any amendments be considered and agreed to be submitted to Full Council for approval

8. Liquid Logic System Update

Lisa Kitto, Director of Corporate Services, presented the Liquid Logic system update report to the Committee. This update followed a report to the Committee in September 2016 on the improvements made to the system following the Ofsted report in September 2015 and set out the actions taken in relation to the Liquid Logic Adults system.

It was confirmed that although the report outlined the savings made in relation to the data cleansing exercise, this would not offset the cost but was included to highlight the benefit to completing this exercise.

Members requested a further report to the Committee on progress.

Resolved: That;

- i. The progress to date be noted.
- ii. A further report be provided at the September meeting of the Committee

9. Internal Audit Charter

Ruth Lowry, Head of Internal Audit, presented the Internal Audit Charter report to members which provided details on the updated charter for consideration and approval.

Resolved: That the Internal Audit Charter be considered and approved.

10. Internal Audit Annual Report 2016/17

Ruth Lowry presented the Internal Audit Annual Report 2016/17 which summarised the work undertaken by the Internal Audit Service during 2016/17 and the key themes arising in relation to internal control, governance and risk management across the County Council.

It was confirmed that overall, only limited assurance could be given.

Members were advised that a summary of work undertaken was provided in Appendix B and that individual reports would be available on request.

Members enquired about the audit opinion relating to BTLS under Business Systems controls. It was confirmed that substantial assurance had been given over the council's monitoring of its contract with BTLS and full assurance had been given over the processing by BTLS of payroll payments but, although substantial assurance had also been given over the council's oversight of payroll payments, the council's managers did not effectively inform BTLS of amendments to the payroll, resulting in overpayments to current and former members of staff.

Resolved: That the Internal Audit Service's annual report for 2016/17 and the information it provides to support the County Council's annual governance statement for the year be considered and noted.

11. Risk and Opportunity Register Quarter 1

Paul Bond, Head of Legal and Democratic Services, presented the Risk and Opportunity Register to the Committee.

It was confirmed that in relation to the addition of CR28, a report will go to the August Cabinet meeting to set out proposals.

A request was made for a report to be provided to the Committee around the Civil Contingencies/Emergency Planning Risk Register in light of recent events.

Resolved: That;

- i. The updated Risk and Opportunity Register be noted.
- ii. A report on the Civil Contingencies/Emergency Planning Risk Register be provided to a future meeting of the Committee.

12. Internal Audit Plan 2017/18

Ruth Lowry presented the report on the Internal Audit Plan 2017/18 which detailed the work proposed that would support the Head of Internal Audit's overall opinion for the year on the County Council's framework of governance, risk management and control.

Resolved: That the internal audit plan 2017/18 as set out in Appendix A be considered and approved.

13. Internal/External Audit Protocol

Ruth Lowry presented the report on the Internal/External Audit Protocol which set out the framework for coordination, cooperation and exchange of information.

Resolved: That the report be noted.

14. External Audit Update

Karen Murray, Grant Thornton, presented the External Audit update report to members which included progress to date with the 2016/17 audit of accounts, value for money conclusion and other work. In addition, the report provided information on sector developments.

It was highlighted to members that the audit of accounts has been brought forward to July this year to assist with the implementation of the requirement to have the accounts audited by July from 2018.

Members gave thanks to Khadija and her team on the work undertaken to ensure this revised deadline was met.

Resolved: That the update report be noted.

15. Accounting policies used in the preparation of the Statement of Accounts 2016/17

Khadija Saeed presented the report to members which detailed the accounting policies used in the preparation of the Statement of Accounts 2016/17. It was confirmed that although there were no changes to the substance of the

accounting policies from last year, the presentation and content have been reviewed and streamlined in line with guidance by CIPFA.

In response to a query on the business rates pooling outlined in the report, it was confirmed that a briefing note would be circulated to members and substitutes.

Resolved: That;

- i. The accounting policies used in the preparation of the Statement of Accounts, as set out in Appendix 'A' be considered and approved
- ii. A briefing note be circulated to members on the business rates pooling

16. Urgent Business

There were no items of urgent business.

17. Date of Next Meeting

The next meeting of the Committee will be held on 31 July at 2pm, Cabinet Room B, County Hall, Preston.

19. Exclusion of the Press and Public

Resolved: That the press and members of the public be excluded from the meeting during consideration of the following item of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate 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.

18. Whistleblowing, Special Investigations and Counter Fraud Annual Report 2016/17

Not for publication – exempt information as defined in Paragraphs 1 and 7 of Part 1 of Schedule 12 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 interest in disclosing the information.

Ruth Lowry presented the report to members which detailed the work undertaken by services across the County Council in relation to counter-fraud, investigations and whistleblowing during 2016/17.

Resolved: That the report be noted.

I Young
Director of Governance, Finance
and Public Services

County Hall
Preston