

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 September 2013:

Part 1

1. 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.

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.

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

2. 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.

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

3. 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 and 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.

Decision Taken: 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.

4. 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.

Decision Taken: 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.

5. 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.

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.

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

6. 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.

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.

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 as reported at a future meeting.

Decision Taken:

- i) That subject to minor amendments to the narrative on the page 192 of the agenda papers, 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.

7. 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.

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

8. 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 2013.

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

9. 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.

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 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.

Decision Taken: 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.

10. 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.

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

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 25 November 2013:

Part 1

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

Karen Murray, director, Grant Thornton presented the external auditor's Annual Audit letter for 2012/13 which summarised for members the key findings of the annual audit for 2012/13.

The external auditor concluded that the accounts gave a true and fair view of the financial position of the County Council and the Lancashire County Pension Fund.

An unqualified conclusion had also been provided in respect of the council's arrangements in respect of 'value for money'. However, it was reported that weaknesses in the overall framework had been identified in relation to procurement and some aspects of good governance and that these were being investigated by the council.

Decision Taken: That the Annual Audit letter for 2012/13 be noted.

2. Information Governance Arrangements Update

Ian Young, deputy county secretary and solicitor presented a progress report on the information governance arrangements within the County Council.

The committee noted the progress that had been made to date and the proposals for further steps to ensure that robust arrangements are in place to manage the County Council's responsibilities to properly maintain the confidentiality and security of information.

The committee welcomed the progress being made but expressed concern at the potential financial and reputational risks to the council. Concern was also expressed at the level of resources required to deliver good information governance.

It was also noted that the committee would continue to receive updates on the progress being made to ensure risks around information governance were being adequately managed.

Decision Taken:

- i) Regretting the decision to place the Council's information governance functions with One Connect Limited leading to the current situation, the committee welcomed the work now being undertaken to enable the

council to effectively fulfil its obligations on information governance to a high standard, for the benefit of the people we serve.

- ii) That an update on the progress being made to ensure risks around information governance are being adequately managed be presented to a future meeting of the committee.