



# The Annual Audit Letter for Lancashire County Council

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**Year ended 31 March 2014**

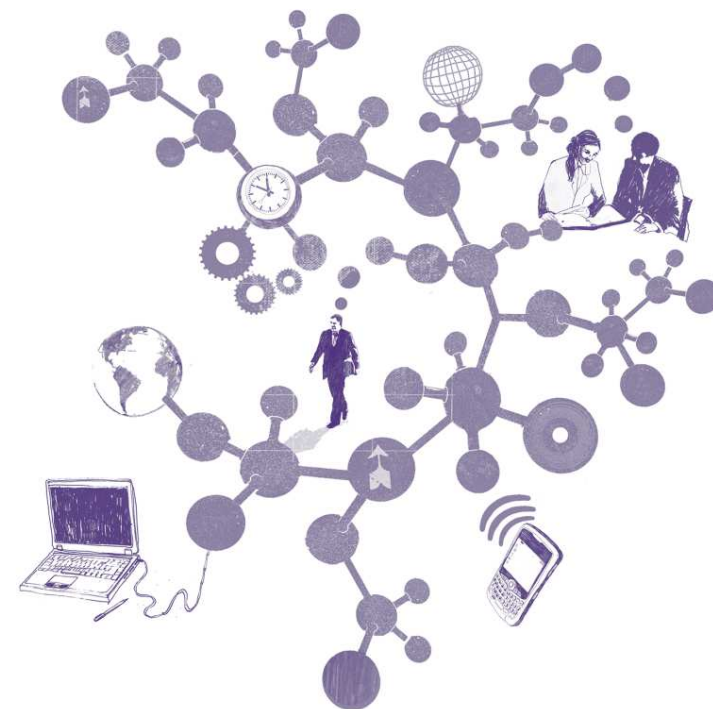
**October 2014**

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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Lancashire County Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in June 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Financial statements audit (including audit opinion)**

We reported our findings arising from the audit of the financial statements for both the County Council and the Pension Fund in our Audit Findings Reports on 29 September 2014 to the Audit & Governance Committee.

The key messages reported were:

- None of the agreed adjustments to the primary financial statements impacted on the Authority's financial position or that of the Pension Fund;
- A number of changes were made in response to audit findings to more fully meet disclosure requirements, improve consistency within the Statement of Accounts and to correct trivial arithmetical and presentational errors;
- There were no recommendations arising from our 2013/14 opinion audit on the accounts for the County Council or the Pension Fund

We issued an unqualified opinion on the Council's 2013/14 financial statements on 30 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

We also issued an unqualified opinion on the Pension Fund accounts on 30 September 2014. Our opinion confirms that the financial statements give a true and fair view of the financial transactions of the fund and of its assets and liabilities.

# Key messages

## Value for Money (VfM) conclusion

On the basis of our work, and having regard to the guidance on the specified Value for Money criteria published by the Audit Commission, we are unable to conclude the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

As we reported to the Audit and Governance committee on 29 September 2014, this conclusion takes account of the balance between those areas where the Council's arrangements are demonstrably strong, and the areas of corporate and financial governance where the Council has recently identified a number of fundamental weaknesses in its arrangements in relation to:

- Two procurement processes;
- The relationship with, and operation of, the Council's strategic partnership and associated joint venture company; and
- Salary payments made to the then Chief Executive of the Council's joint venture company.

In addition, we have taken account of the fact that the Council's Chief Internal Auditor gave an overall opinion of limited assurance in respect of her work for the year

We recognise that these governance issues have emerged during the 2013/14 year but that they relate to arrangements, decisions and actions taken in previous years. It is a positive sign that the Council is dealing with them appropriately. The actions to deal with them include:

- Referring matters to the police for investigation (which remains on-going) ; and
- Renegotiating the relationship with the strategic partner, including transferring a number of services back in house.

Notwithstanding these issues, we recognise that the Council:

- has strong arrangements in place for financial planning;
- exercises good financial control across the Council;
- has a good track record of delivering on its savings plans and that its finances are strong, leaving it well placed to meet the challenge of taking £300m of annualised costs out of the annual revenue budget to March 2018

# Key messages

<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
<b>Certification of grant claims and returns</b>	<p>Our 2013/14 grant claim programme includes one claim covered by the Audit Commission's certification regime (Local transport plan – major projects).</p> <p>Our work on this return is not yet complete. We will report our findings to the Audit and Governance Committee in due course.</p>
<b>Audit fee</b>	<p>Our core audit fee for the 2013/14 Lancashire County Council audit was £150,560. This is in line with our planned fee for the year and is unchanged from the previous year.</p> <p>The fee for the audit of the Lancashire County Pension Fund, was £35,906 excluding VAT. This was also in line with our planned audit fee.</p> <p>Further detail is included within appendix A.</p>

# Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and provision of non-audit services.

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	150,560	150,560
Audit Fee – Pension Fund	35,906	35,906
Grant certification fee	1,190	TBC
<b>Total fees</b>	<b>187,656</b>	<b>TBC</b>

Our work to certify the Council's grant claim is not yet complete. We will confirm the final fee once our work is complete.

## Fees for other services

Service	Fees £
Waste PFI Contract	20,528

## Reports issued

Report	Date issued
Audit Plan	June 2014
Audit Findings Report	September 2014
Annual Audit Letter	October 2014



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