

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 26 September 2016:

Part I (Open to Press and Public)

1. Risk and Opportunity Register

The Committee considered a report on an updated quarter 2, Risk and Opportunity Register.

It was noted that the Register had been reported to Management Team, and would be presented to the next meeting of the Cabinet Committee on Performance Improvement in October.

Decision Taken: That the updated Quarter 2 Risk and Opportunity Register be noted.

2. Liquid Logic System Update

A report was presented on the recent progress that had been made in improving the Liquid Logic System. The report included the proposed next steps for the system and the new governance arrangements for system developments and implementations.

It was agreed that a further update would be presented to the next meeting of the committee on the 30 January 2017.

Decision Taken: i) That the report be noted.

ii) That a further report be presented to the next meeting of the Committee on 30 January 2017.

3. Internal Audit progress report

The Committee considered the Internal Audit Service Progress Report for the period to 9 September 2016.

The report also included details of an external assessment of the Council's Internal Audit Service.

Decision Taken:

- i) That the Internal Audit Service Progress report for the period to 9 September 2016 be noted.

- ii) That the proposal to appoint the Chartered Institute of Internal Auditors to undertake an external assessment of the Council's Internal Audit Service be noted.

4. Statement of Accounts - Waste Plant - Valuation

A report was presented on the valuation of the Waste Facilities at Farrington and Thornton Waste Technology Parks.

It was noted that the value of the assets held in the accounts was considered materially correct and no changes had been made the Council's Statement of Accounts.

Decision Taken: That the report be noted.

5. Annual Governance Statement 2015/16 Update

The Committee received an update in relation to the Annual Governance Statement for 2015/16. The report identified a number of key issues and themes that had emerged during 2015/16 and which would continue to feature in 2016/17.

The report also provided the Committee with an update in relation to those issues which were also relevant to the External Auditor's Value for Money (VfM) conclusion contained within the Audit Findings Report elsewhere on the agenda.

Decision Taken: That the Annual Governance Statement for 2015/16 be approved for inclusion in the County Council's Statement of Accounts.

6. Approval of the County Council's and County Pension Fund's Letter of Representation 2015/16

The Committee considered a report on the County Council's Management Representation Letter and that for the Lancashire County Pension Fund.

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.

Decision Taken

The Committee approved the management representation letters, as set out at Appendices 'A' and 'B', to the report presented.

**7. External Audit
Lancashire County Council - Audit Findings Report 2015/16**

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.

The report included a recommendation requiring all declarations for related party disclosures to be completed annually. In response to concerns raised by the Members, officers were asked to investigate whether any financial sanctions could be imposed on councillors who failed to complete their declarations.

Decision Taken: That:

- (i) The external audit findings report covering the audit of the County Council for year ended 31 March 2016 be noted.
- (ii) The adjustments to the financial statements and other issues raised by the external auditor, as set out in the report presented, be noted.
- (iii) Officers be asked to investigate whether any financial sanctions can be imposed on Councillors who fail to complete their related party disclosure declarations.

8. Approval of the County Council's Statement of Accounts 2015/16

The Committee received the County Council's Statement of Accounts for 2015/16. A summary of the preparation process and the main points of the Statement of Accounts was presented.

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

Decision Taken: That the Lancashire County Council Statement of Accounts for 2015/16 be approved and signed by the Chair of the Committee.

**9. External Audit
Lancashire County Council Pension Fund - Audit Findings Report
2015/16**

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

Decision Taken: That the external audit findings report covering the audit of the Lancashire County Pension Fund for year ended 31 March 2016 be noted.

10. Approval of the Lancashire County Pension Fund's Statement of Accounts 2015/16

The Committee considered the Lancashire County Pension Fund's Statement of Accounts for 2015/16.

The Statement of Accounts included the Fund Account and the Statement of Net Assets and had been prepared in accordance with standard accounting practice as outlined in the notes to the accounts of the Pension Fund.

Decision Taken: That the Lancashire County Pension Fund's Statement of Accounts for 2015/16 be approved and signed by the Chair of the Committee.

11. Appointment of External Auditors

A report was presented summarising the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.

The Committee were presented with three options for appointing External Auditors in the future, one of which required Full Council approval.

In response to concerns raised by the Members, it was agreed that prior to entering into a contract to appoint external auditors, a further report be presented to the Audit and Governance Committee setting out details of the contract, including the period of appointment.

Decision Taken: That:

- (i) The Committee recommend Full Council to opt-in to an approved sector led body, specifically Public Sector Audit Appointments Ltd, to act as the Appointing Person for the appointment of External Auditors for the County Council. (A full report will be presented to a future meeting of Full Council)
- ii) That prior to entering into a contract to appoint external auditors, a further report be presented to the Audit and Governance Committee setting out details of the contract, including the period of the appointment.

12. 2016/17 Treasury Management Activity Report - April to July 2016

The Committee considered a report on a review of the county council's treasury management activities during the current financial year to the end of July 2016.

Decision Taken: That the review of treasury management activities for the period 1 April to 31 July 2016 shown at appendix A to the report, be noted.

13. The County Council's Treasury Management Strategy 2016/17

A report was presented on the County Council's Treasury Management Policy.

It was reported that recent economic uncertainty had resulted in the credit agencies downgrading the UK sovereign rating. In view of the recent changes and in anticipation of any future reductions, the County Council's Treasury Management Policy had been reviewed.

The economic position and low interest rates also required further consideration for the fixing of long term debt and the report covered the options including the potential use of the Municipal Bond Agency (MBA).

Decision Taken: That:

- i) The changes to the Treasury Management Strategy as set out in the report, to allow for changes in the UK sovereign credit rating following the referendum vote to leave the European Union, be approved.
- ii) Full Council be recommended to agree that the County Council enters into the UK Municipal Bond Agency framework agreement as set out in the report to the committee.