

Lancashire County Council

Audit and Governance Committee

Minutes of the Meeting held on Monday, 27th January, 2014 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

County Councillors

K Brown	R Shewan
T Brown	V Taylor
D Clifford	D Westley
C Dereli	B Winlow
A Schofield	

County Councillor R Shewan replaced County Councillor Clare Pritchard on the committee.

Beryl Rhodes – head of finance (Commercial and Central)

George Graham – deputy county treasurer

Mike Jensen – chief investment officer

Ruth Lowry – chief internal auditor

Karen Murray – director, Grant Thornton

Len Cross – manager, Grant Thornton

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 25 November 2013

Reference was made to Item 5 of the Minutes in respect of the information governance arrangements within the County Council. It was noted that progress was being made on matters previously reported relating to the appointment of a head of Information governance.

Reference was also made to the issue raised at the meeting of the Audit and Governance Committee held on 30 September 2013 relating to the remuneration of the former Chief Executive Officer of One Connect Limited. The Committee

was assured that appropriate action was being taken by officers and that a report would be provided in due course, but that this would not be available until matters had been addressed by Lancashire Constabulary.

Resolved: That the Minutes of the meeting held on the 25 November 2013 be confirmed and signed by the Chair.

4. Accounts of Lancashire County Developments Limited 2012/13

A report was presented by Beryl Rhodes, head of commercial and central finance on the 2012/13 audited Statement of Accounts for Lancashire County Developments Limited (LCDL).

The committee was informed that the company had made a pre-tax profit of £4,663,998 for the period. This was mainly attributable to a £8,212,000 gain on disposal of assets as a result of the fire at the Lancashire Business Park in Leyland. There had also been a loss of £4,054,284 resulting from the reduction in the valuation of property assets following the revaluation of the property portfolio.

Resolved: That the 2012/13 Statement of Accounts for Lancashire County Developments Limited as set out at appendix A to the report, be noted.

5. 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 for the period from August to November 2013 and included:

- A review of the economic conditions
- 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 review of treasury management activities for the period from August to November 2013 as shown at appendix A to the report now presented, be noted.

6. Internal Audit Service Progress Report

Ruth Lowry, chief internal auditor, presented the internal audit progress report for the nine months to 31 December 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 and departure of the former chief executive and a number of matters relating to the council's strategic partnership with BT plc.

It was noted that whilst the Internal Audit Service was itself experiencing difficulties in completing the audit programme as planned, a number of service areas were likewise experiencing delays in implementing the actions agreed as necessary to improve internal controls. Examples of the delays identified during the year to date included the following, which arose from areas that the Internal Audit Service regarded as being of high or moderate risk and most of which had been given either limited or nil assurance:

- Actions relating to initial assessments of direct payments to vulnerable adults and in particular to ensure compliance with the council's responsibilities under the Mental Capacity Act;
- The use by staff of assessment tools for adults social care to ensure the objective and efficient calculation of individual service user budgets;
- Action to support the operation of the Working Together With Troubled Families programme, data management in particular and the need to obtain access to data from different organisations, and the requirement to identify initial needs and track performance;
- Actions supporting the children's social care case file audit process;
- Actions to track the high priority ('starred') recommendations for children's social care made by Independent Reviewing Officers;
- Action to ensure that a regular review of allowances is undertaken to ensure the needs of the adopted and fostered children and their families continue to be met.

The committee raised concern at the delays in implementing the actions agreed and requested that the Executive Directors responsible for the service areas concerned be invited to present progress reports to the next meeting of the committee on 31 March 2014.

The committee also raised concern at the controls in place in relation to Oracle HR/ Payroll and expenses systems which had been given limited and nil assurance respectively. They endorsed the view set out in the report that there was a need to establish more closely the council's expectations of its managers, and to ensure that the council's Oracle HR/ Payroll and expenses systems and other systems were operated more effectively to meet the council's requirements.

Resolved: That:

- i) The Executive Director of Adult Services, Health and Wellbeing and the Executive Director of Children and Young People be invited to attend the next meeting of the committee on the 31 March 2014 to present progress reports on the actions taken to improve internal controls in each of their respective service areas listed above.
- ii) The internal audit progress report for the nine months to 31 December 2013 as now presented be noted.

7. External Audit - update report January 2014

Karen Murray, district auditor, presented an update of the audit work proposed to be undertaken in carrying out the 2013/14 Audit.

The report included a summary of emerging issues and developments which the district auditor felt may be relevant to the Council and a number of challenge questions in respect of these emerging issues for the committee to consider.

In response to questions raised by the committee the district auditor confirmed that she was unable to issue the audit certificate until the council had completed its work in respect of the weaknesses identified in respect of procurement and good governance. It noted that a further report would be presented to the committee when the certificate was issued.

Resolved:- That the report be noted.

8. Urgent Business

There were no items of urgent business.

9. Date of Next Meeting

Resolved: That the next meeting of the committee be held on Monday 31 March 2014 at 2pm at County Hall, Preston.

I M Fisher
County Secretary and Solicitor

County Hall
Preston