

Lancashire County Council

Audit and Governance Committee

Minutes of the Meeting held on Monday, 30th June, 2014 at 2.00 pm in Cabinet Room B at County Hall, Preston

Present:

County Councillor Terry Brown (Chair)

County Councillors

K Brown	A Schofield
D Clifford	D Stansfield
C Dereli	V Taylor
S Holgate	B Winlow

County Councillor T Brown Chaired the meeting in the absence of County Councillor C Pritchard.

County Councillors S Holgate and D Stansfield replaced County Councillors Clare Pritchard and Geoff Driver on the committee respectively.

Officers in Attendance:

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
Ian Rushworth – audit manager
Roy Jones - assistant county secretary
Cath Rawcliffe – committee support officer

Standing Order 19

County Councillors J Mein and M Green attended the meeting under Standing Order 19.

1. Apologies

None received.

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

Resolved:-

- i) The appointment of County Councillors C Pritchard and T Brown as Chair and Deputy Chair respectively of the Audit and Governance Committee for 2014/15 be noted.
- ii) The membership of the Audit and Governance Committee for 2014/15 be noted.
- iii) The Terms of Reference of the Audit and Governance Committee be noted.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

None declared.

4. Minutes of the Meeting held on 31 March 2014

Resolved: That the Minutes of the meeting held on 31 March 2014 be confirmed and signed by the Chair.

5. Update on Treasury Management Activity

A presentation was made to the committee by Mike Jensen, chief investment officer.

The report outlined the treasury management activities of the county council throughout 2013/14 and included:

- A review of the economic conditions during 2013/14.
- 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.
- An update on the recovery of the investment in Landsbanki hf.

Officers responded to a number of queries raised by the committee in relation to the recovery of the investment in the Icelandic Bank Landsbanki.

Attention was drawn to the Arlingclose quarterly credit risk benchmarking graphs at Appendix A to the report. These showed that the County Council was in line with its strategy of low credit risk and high investment return.

Resolved: - That the review of treasury management activities for 2013/14 to date as shown at appendix A to the report now presented, be noted.

6. External Audit Lancashire County Council Audit Plan 2013/14

Karen Murray, director, Grant Thornton, presented a report on the nature and scope of work that the Authority's external auditor was planning to carry out to discharge its statutory responsibilities, compliant with the Audit Commission Act 1998 and the Code of Audit Practice for Local Government.

The plan set out the main risk areas which the audit would focus on and how the audit team planned to obtain the necessary assurances. The risks related to the three key elements of the accounts being:

- Operating expenses;
- Employee remuneration; and
- Property, plant and equipment

The plan also set out the criteria forming the focus of the Value for Money Conclusion and the results of interim audit work.

In response to questions raised by the committee, it was confirmed that the external auditor was unable to issue the audit certificate to close the 2012/13 at this time. The committee was reassured that this would not impact on the accounts for 2013/14.

Resolved:- That the report be noted.

7. External Audit - Update report June 2014

Karen Murray, director, Grant Thornton, presented a report on the progress to date on the 2013/14 Audit Plan for the Council and set out the accounting and auditing issues relevant to the 2013/14 financial statements and their preparations.

The report included details on recent publications which it was felt could be helpful to the Committee in discharging its responsibilities. It was noted that a hard copy of the publication - 'Understanding your accounts – member guidance' would be provided to the members prior to their next meeting.

Resolved:- That the report be noted.

8. Response of the Audit and Governance Committee Chair to Grant Thornton's request for information to support its compliance with International Standards on Auditing

The committee considered a response to Grant Thornton's request for information to support its compliance with international standards on auditing and quality control.

The Chair of the Audit Committee was asked to provide information in respect of Lancashire County Council relating to:

- fraud and internal control;
- laws and regulations; and
- litigation and claims.

A response to the commission had been prepared for consideration by the committee and was set out at Appendix A to the report. Officers advised that the response should also relate to the Lancashire County Pension Fund in addition to the County Council. It was therefore agreed that an amended response would be prepared for the Chair of the committee to sign on behalf of the committee.

Resolved: That, subject to the above amendment, the response to Grant Thornton's request for information to support its compliance with international standards on auditing and quality control, as set out at Appendix A to the report now presented, be approved and signed by the Chair of the committee.

9. Provisional Internal Audit Plan for 2014/15

The committee considered the provisional Internal Audit Plan for the Council for 2014/15, as presented by Ruth Lowry, Chief Internal Auditor.

It was noted that the Internal Audit Service planned to provide a total resource input to the county council of approximately 2,450 audit days, including an allocation of 400 days for investigations. It was anticipated that approximately 775 days would also be provided to external organisations within Lancashire including the pension fund, the Police and Crime Commissioner and a number of the district councils.

It was noted that the internal audit resources may be further reduced during the year as vacancies were held open in readiness to meet the council's revised spending targets. Therefore, the resources deployed on investigations would largely depend on the investigations which arose during the year and, like the previous year, it may be necessary to undertake these at the expense of internal audit work.

Appendix 'B' to the report provided a provisional list of the work to be undertaken under the annual audit plan for 2014/15.

Resolved: That the provisional internal audit plan for 2014/15 be approved.

10. Urgent Business

There were no items of urgent business.

11. Date of Next Meeting

Resolved: That the date of the next meeting of the committee to be held on 29 September 2014 and future meetings of the committee, be noted.

12. Exclusion of Press and Public

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

13. Counter fraud and special investigations annual report 2013/14

(Exempt information as defined in Paragraphs 1, 2 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information).

Ian Rushworth, Audit Manager, presented a report on a summary of the work performed by the Internal Audit Service during 2013/14 to support management in preventing, detecting and investigating fraud and corruption.

It was noted that no single issue had been identified that would have a material impact on the county council's overall control environment.

A copy of the annual report was presented at Appendix 'A'.

Resolved: That the 2013/14 counter fraud and special investigations report as now presented, be noted.

I M Fisher
County Secretary and Solicitor

County Hall
Preston