

Lancashire County Council

Audit and Governance Committee

Minutes of the Meeting held on Monday, 14th January, 2013 at 2.00 pm in Cabinet Room 'B' - County Hall, Preston

Present:

County Councillor Sam Chapman (Chair)

County Councillors

K Brown	M Welsh
J Lawrenson	D Westley
M Parkinson	M Younis

Officers in attendance

Beryl Rhodes - head of commercial and central finance

George Graham – deputy county treasurer

Mike Jensen – chief investment officer

Ruth Lowry – chief internal auditor

Fiona Blatcher – associate director, Grant Thornton

Leonard Cross - Grant Thornton

Roy Jones - assistant county secretary

1. Apologies

Apologies were presented on behalf of County Councillors H Henshaw and C Grunshaw.

2. Disclosure of Pecuniary and Non Pecuniary Interests

County Councillor M Welsh declared a non pecuniary interest in item 4 as Chair of Lancashire County Developments Limited.

3. Minutes of the Meeting held on 26 September 2012

Resolved: That the Minutes of the meeting held on the 26 September 2012 be confirmed and signed by the Chair.

4. Accounts of Lancashire County Developments Limited 2011/12

A report was presented by Beryl Rhodes, head of commercial and central finance on the 2011/12 audited Statement of Accounts for Lancashire County Developments Limited (LCDL).

The committee was informed that the company had made a pre-tax profit of £4,251,122 for the period. This was mainly attributable to a £6,000,000 gain from the disposal of fixed assets and a loss of £1,894,355, resulting from the reduction in the valuation of property assets.

Resolved: That the 2011/12 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 during the third quarter of the 2012/13 financial year and included:

- A review of the economic conditions and the impact on the county council's borrowing and lending activities.
- Summaries of borrowing and investment transactions.
- Monitoring of Prudential Indicators
- An update on the investment in Landsbanki hf.

Details of the treasury management activities were presented at appendix A. This included details of the current investment policy of accessing high credit quality institutions through bond investments.

It was reported that the investment portfolio had been divided into sub-portfolios to broadly reflect the County Council's overall cash position and profile of when balances were required. From this position it was possible to provide geographical and financial sector diversity, whilst increasing liquidity and credit quality management. Inflation and interest rate risk could also be managed and there was a possibility of increased investment returns if suitable opportunities arose.

A table outlining the types of financial instruments to be held within these sub-portfolios and how they were accounted for was included at appendix B.

During discussion, the committee queried whether it was proposed to make any changes to the strategy in order to address the council's future capital requirements. The committee was advised that despite a reduction in the council's grant allocation, other streams of funding were expected to be received in the future which would free up revenue constraints. Following further discussion, it was recommended that the County Treasurer be consulted at an early stage where funding was required for substantial capital projects.

Resolved: i) That the update on treasury management activities as shown at appendix A and B to the report now presented, be noted.

ii) That the County Treasurer be consulted at an early stage where funding is required for substantial capital projects.

6. Internal Audit Service Progress Report

Ruth Lowry, chief internal auditor, presented a report on the work undertaken during the period to 14 December 2012 by the council's Internal Audit Service.

The committee was taken through the main issues raised in the report including the council's information governance arrangements; direct payments to service users within the Adult and Community Services and Children and Young People Directorates; and Independent Reviewing Officer's compliance with relevant statutory guidance.

The committee was advised that the Chief Executive had taken forward discussions in relation to the council's information governance arrangements. Priority was being given to measures which were being put in place to meet the information governance arrangements for the new public health function.

Following debate and questions to officers by the Members, it was agreed that prior to the next meeting in March, a briefing session with Members be arranged to discuss the progress being made to re-invigorate the information governance arrangements and the appointment of a Senior Information Risk Officer.

Resolved:

- i) That the internal audit progress report for the period to 14 December 2012 as now presented be noted;
- ii) That prior to the next meeting in March, a briefing session be arranged to discuss the progress being made to re-invigorate the information governance process and the appointment of a Senior Information Risk Officer.

7. External Audit - Annual Audit Letter 2011/12

Fiona Blatcher, associate director with Grant Thornton presented the external auditor's Annual Audit letter for 2011/12 which summarised for members the findings of the annual audit for 2011/12.

The report audit was made up of two elements: the audit of the council's financial statements and an assessment of the council's arrangements to achieve value for money in the use of resources.

The committee was informed that the overall quality of the accounts was good reflecting the commitment of the Council's officers to meet the requirements of the code of Practice of Local Authority Accounting. The committee was also informed that the council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Resolved: That the Annual Audit letter for 2011/12 be noted.

8. County Council and Pension Fund External Audit Fees 2012-13

Fiona Blatcher presented a report on the proposed fees for the external audit of Lancashire County Council and Lancashire Pension Fund for 2012/13.

This comprised of an audit fee letter which set out the main elements of the proposed audit work for 2012/13 and highlighted the specific risks which would be reviewed as part of this work.

It was noted that the fees represented a reduction of 40% compared to the audit fees for 2011/12 and that the fees would be reviewed and updated as the work progressed.

Resolved: That the external auditor's fee letter for the audit of the County Council and the Pension Fund for the year ending 31 March, 2013 be noted.

9. Urgent Business

There were no items of urgent business.

10. Date of Next Meeting

It was noted that the next meeting of the committee would be held on Monday 25 March 2013 at 2.00 pm at County Hall, Preston.

I M Fisher
County Secretary and Solicitor

County Hall
Preston