

## **Lancashire County Council**

### **Audit Committee**

#### **Minutes of the Meeting held on Monday, 21st March, 2011 at 2.00 pm in Cabinet Room 'B' - County Hall, Preston**

#### **Present:**

County Councillor Sam Chapman (Chair)

#### **County Councillors**

C Grunshaw

D Westley

H Henshaw

M Younis

M Welsh

#### **Officers in attendance**

Michael Walder - Senior Policy Officer (Item 4)

George Graham – assistant director of finance (Items 5 & 6)

Roy Jones - assistant county secretary

Ruth Lowry – head of internal audit

Clive Portman - district auditor, Audit Commission (Items 9, 10 & 11)

Fiona Blatcher – senior audit manager, Audit Commission (Items 9, 10 & 11)

#### **1. Apologies for Absence**

Apologies for absence were received on behalf of County Councillors K Brown, J Lawrenson and M Parkinson.

#### **2. Disclosure of Personal and Prejudicial Interests**

County Councillor D Westley declared a personal Interest in Item 7 as a member of West Lancashire Borough Council (WLBC). The declaration related to his role as a WLBC Cabinet Member and the borough council's involvement with the county council and the joint venture company, One Connect Ltd.

#### **3. Minutes of the Meeting held on the 24 January 2011**

The Minutes of the previous meeting held on the 24 January 2011 were presented.

County Councillor Welsh referred to Item 4 of the Minutes in relation to the risk management update report. He felt that the comments made in respect of government proposals to allow local communities to run their own services had not been reported correctly.

It was agreed therefore, that the Minute be amended to reflect the view that 'there would be a serious risk to implementing this proposal if local communities proved unable or unwilling to undertake the delivery of local services.' It was also agreed that the risk be included in the risk register.

**Resolved:** That, subject to the amendments to Item 4 of the Minutes above, the Minutes of the meeting held on 24 January 2011 be confirmed and signed by the Chair.

#### **4. Risk Management Report**

A presentation was made to the committee by Michael Walder, senior policy officer, who explained that an important part of the remit of the Audit Committee was to advise the council on the adequacy of the authority's strategic processes for risk management and to consider reports in respect of the authority's risk register and the action taken in response.

The report introduced the latest version of the register. It identified the significant directorate and cross cutting risks which the council faced together with current and planned actions to mitigate the risks.

Discussion took place regarding the scores given to five potential risk areas in the register:

- The review of locality working;
- The loss of highway infrastructure due to flooding;
- The failure of the Waste PFI contract;
- Corporate manslaughter on the highway; and
- The failure of public transport contracts (financial and reputation risk).

Members queried whether the scores for each of the above were appropriate given the significant high risk that could be attached to each and agreed that they be referred back to the directorates concerned for further consideration.

It was also agreed that a detailed report explaining how the risk register scores were applied would be presented to the next meeting of the committee on 27 June 2011.

**Resolved:** That:

- i) The content of the corporate risk register be noted.
- ii) The actions being taken in response to identified risks and the current process for identifying risk be noted.

- iii) That the scores in relation to the five potential risk areas identified above be referred back to the directorates concerned for further consideration.
- iv) That a detailed report explaining how the risk register scores were applied be presented to the next meeting of the committee on the 27 June 2011.

## **5. Overview of the implementation of International Financial Reporting Standards**

George Graham, assistant director of finance (accountancy and financial services) reported on the progress made in implementing the new International Financial Reporting Standards (IFRS).

It was noted that progress continued to be made, and the IFRS was expected to be implemented in accordance with statutory deadlines.

**Resolved:** That the report be noted.

## **6. Revision and Consolidation of the Accounts and Audit Regulations 2003**

George Graham, assistant director of finance (accountancy and financial services) reported on proposals by the Department of Communities and Local Government to make a number of amendments to provide clarity to the accounts and audit regulations and the process for the production of local authority accounts.

The committee was informed that the most significant change would be the way in which the accounts were approved. Instead of the committee signing off the accounts once the audit was complete, the responsible finance officer must sign off the accounts and then the members must approve the audited accounts by 30 September 2011.

The committee noted that the new accounting and audit regulations would come into force on 1 April 2011. It was also noted that it was unlikely that the committee's terms of reference would need to be amended as a direct result of the changes proposed since the terms of reference already treated the financial statements and annual governance statement separately.

**Resolved:** That the report be noted.

## **7. Internal Audit Progress Report**

Ruth Lowry, head of internal audit, presented the internal audit progress report for the eleven months to 28 February 2011.

The report included a summary of the work performed and a comparison with work planned, progress made in relation to cross cutting and corporate risks, corporate or common controls, and service specific controls.

Of particular interest to members was the audit service's work in relation to concessionary travel. It was noted that a follow-up review had been completed recently and that an update would be presented to the next meeting of the committee on 27 June, 2011. In the meantime, it was agreed that the full report on the review would be made available to members prior to the next meeting.

Members also noted that an internal audit review had been undertaken of the financial and administrative arrangements operated by Lancashire Adult Learning Services. The committee queried whether the qualitative aspects of the service including its outcomes, could be reviewed if further audit work was to be undertaken in future rather than its financial and administrative arrangements.

Members welcomed the proposal to maintain the number of school audit visits.

**Resolved:** That the internal audit progress report for the eleven months to 28 February, 2011 as now presented, be noted.

## **8. Audit Plan 2011/12**

Ruth Lowry, head of internal audit, presented the internal audit work plan for 2011/12 which set out the plan of work to be undertaken by the county council's Internal Audit Service for the coming financial year.

The plan was intended to provide assurance that the chief executive and leader of the council need that the risks to the council's objectives were being adequately and effectively controlled.

The committee noted that in deriving this plan, the internal audit team had:

- Considered the county council's corporate and individual directorate/ service risk registers;
- Met the senior management teams of the county council's directorates to discuss their risks and related controls; and
- Made its own assessment of the risks facing the county council.

The plan amounted to a total resource input to the county council of 2,780 days. This represented a reduction in audit input of 14% arising from the reduction in Internal Audit Service staffing as part of the county councils drive to reduce its costs, but was considered acceptable to provide the assurance the council needs.

Of particular interest to members was the management of the risk of fraud which was expected to account for approximately 415 days of audit resources during 2011/12. It was agreed that a report on managing the risk of fraud would be presented to a future meeting of the committee for information. In the meantime, it was agreed that the Audit Commission's report on its national fraud initiative entitled "Protecting the Public Purse" would be circulated to the committee.

The committee noted that an annual report on whistle-blowing was presented to the Standards Committee. It was agreed that the annual report would also be presented to the Audit Committee for information.

**Resolved:** That:

- i) The Internal Audit Plan for 2011/12 be approved.
- ii) Reports on 'whistle-blowing' and 'managing the risk of fraud' be presented to a future meeting of the committee for information.

## **9. Internal/external audit protocol**

Ruth Lowry, head of internal audit, presented a protocol which set out how Lancashire County Council's Internal Audit Service and the Audit Commission as its external auditor work together, and establish a framework for coordination, cooperation and exchange of information.

**Resolved:** That the report be noted.

## **10. Audit Commission - Progress report**

A report was presented on an update of the audit work undertaken by the Audit Commission against the 2010/11 audit plan.

The objective of the report was to provide a position statement as at 10 June 2010 setting out the progress of the audit for the period covered by the commission's audit plans for the council and the Lancashire County Pension Fund.

It was reported that progress on the plan was as expected and that key pieces of work were now underway including work on the accounts and the conclusion on the council's arrangements to secure economy, efficiency and effectiveness (VFM conclusion).

**Resolved:** That the Audit Commission's progress report be noted.

## **11. Audit Commission - Certification of claims and returns annual report**

Fiona Blatcher, senior audit manager, Audit Commission presented a report on a summary of the Audit Commission's work on certifying the council's 2009/10 claims and returns.

The committee was informed that four of the council's claims/returns had been subject to certification work for 2009/10 with a total value of £120 million.

The committee was reminded that significant issues had been raised in the previous year however, this year several improvements had been made including much tighter monitoring of sure start centres. This had resulted in a reduction in the fees charged for grants certification work in 2009/10.

**Resolved:** That the report be noted.

## **12. Urgent Business**

There were no items of urgent business.

## **13. Date of Next Meeting**

**Resolved:** It was noted that the next meeting of the committee would be held on Monday 27 June 2011 at 2.00 p.m. at the County Hall, Preston.

I M Fisher  
County Secretary and Solicitor

County Hall  
Preston