

**Lancashire County Council  
Audit Committee**

**Monday 27 September 2010**

**Minutes**

**Present:**

**County Councillors**

S Chapman (Chair)

K Brown

M Parkinson

H Henshaw

M Welsh

J Lawrenson

M Younis

**Apologies**

Apologies were received from County Councillors C Grunshaw and D Westley.

**Officers in attendance**

Habib Patel, head of strategic partnerships and performance (Item 3)  
Mike Jensen – head of treasury management and the pension fund (Item 4)  
George Graham – assistant director of finance (Items 5, 7 & 8)  
Roy Jones - assistant county secretary  
Ruth Lowry – head of internal audit (Item 6)  
Ian Rushworth – principal auditor (Item 6)  
Fiona Blatcher – senior audit manager, Audit Commission (Items 7 & 8)  
Clive Portman - district auditor, Audit Commission (Items 7 & 8)

Also in attendance:

Richard Tomlinson – senior accountant  
Joan Grant – senior accountant  
Ian Winston – senior accountancy assistant  
Jenny Salisbury – trainee accountant

**Disclosure of Personal and Prejudicial Interests**

County Councillors S Chapman and M Parkinson declared a personal interest in item 8 as they are members of the Lancashire County Pension Fund.

**Minutes of the Meeting held on 28 June 2010**

With regard to resolution 9 concerning the recommendations of the Audit Committee to the Scrutiny Committee, it was reported that these had been

raised at the meeting of the Scrutiny Committee on 9 July 2010 and that the Scrutiny Committee intended to add the issues raised to the items under consideration for future reports.

It was also reported that the Health Scrutiny Committee intended to pursue the issue of the administration of medication in care homes, and had approached officers from Audit to supply information on the work they had undertaken.

It was noted that the Scrutiny Committee had given its clear support for the two functions of scrutiny and audit to continue to work together and welcomed the recommendations from the Audit Committee.

**19. Resolved:** That the response of the Overview and Scrutiny Committee be noted with regard to Resolution 9, and that the minutes of the meeting held on 28 June 2010 be confirmed and signed by the chair.

### **Risk Management Update Report (Item 3)**

A presentation was made to the committee by Habib Patel, Head of Strategic Partnerships and Performance, 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.

Members were informed that the process for preparing the risk register had been further refined so that the Executive Directors and their senior management teams had direct input into its development. Reference was made to the risks identified in areas of business continuity, emergency planning and health and safety.

In considering whether the content of the draft risk register reflected the key risks facing the council, the committee maintained that the risk associated with the establishment of Local Enterprise Partnerships was a key risk and as such should be included in the risk register. Members also commented that the risks identified under some headings were excessively brief and should contain more detailed information. Officers undertook to provide this.

**14. Resolved:** That:

- i) The content of the corporate risk register be noted.
- ii) The risks associated with Local Enterprise Partnerships be included in the risk register.
- iii) The actions being taken in response to identified risks and the current process for identifying risk be noted.

#### **Update on Treasury Management Activity (Item 4)**

A presentation was made to the committee by Mike Jensen, Head of Treasury Management and the Pension Fund who informed members of the general economic environment surrounding treasury management activities and set out the position on the borrowing and lending activities of the county council.

The committee was informed that the overall position was one where the county council had begun to be able to take advantage of its new strategy to de-risk its investments while also being able to access attractive rates for new borrowing where appropriate. Details of the Treasury Management activities were presented at Appendix A.

**21. Resolved:** That the update on treasury management activities as shown at appendix A to the report now presented be noted.

#### **Overview of the implementation of International Financial Reporting Standards for the accounts of the county council (Item 5)**

A presentation was made to the committee by George Graham, assistant director of finance (accountancy and financial services) 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.

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

#### **Internal Audit Progress Report (Item 6)**

Ruth Lowry, head of internal audit, presented an internal audit progress report for the five months to 31 August 2010.

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

In response to queries raised by the committee it was reported that:

- Guidance would be provided by the Human Resources team to enable the authority to comply with and monitor compliance with the European Working Time Directive.
- Additional support and advice had been offered to the four out of the six schools audited recently to bring their systems of internal control up to the standard required. It was also reported that the audit service intended to carry out audits on a number of other schools and that a

further report would be presented to the next meeting of the committee in January 2011.

The report also included the results of the annual client satisfaction survey which concluded that the Audit Service had achieved a 'good' overall score.

- 23. Resolved:** That the internal audit progress report for the five months to 31 August 2010 as now presented, be noted.

### **Audit Commission Lancashire County Council Annual Governance Report 2009/10**

The committee considered a report on the Audit Commission's Annual Governance Report for the year ending 31 March 2010. The report included the letter of representation which gave the Audit Commission specific management assurances regarding the accounts of the Lancashire County Council.

In commenting on the report, Clive Portman, district auditor, informed the committee that the financial statements were generally prepared to a good standard. Council officers had identified some amendments that were needed to the accounts following their submission to the June 210 Audit Committee. These largely related to the significant changes in accounting requirements for 2009/10, particularly for PFI schemes. In addition, a small number of amendments had been made in response to issues raised by the Audit Commission. The committee noted that none of the amendments had impacted on the financial position of the authority and that the Audit Commission expected to issue an unqualified opinion on the financial statements by 30 September 2010.

The report also included the Audit Commission's value for money conclusion which assessed whether the council had put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. The committee noted that overall the county council had continued its good performance and had improved its arrangements in a number of areas. This included developing further its approach to financial planning, commissioning and procurements which would be important to help the Council address the financial challenges ahead. The council had also recognised the need to develop further in specific areas and had plans in place to do so.

The committee was also informed that the executive director of resources had signed the letter of representation to the district auditor and members were asked to agree to the Chair of the committee signing the letter.

- 24. Resolved:** That:

- i) The Audit Commission Lancashire County Council Annual Governance Report covering the audit of the County Council for year ended 31 March 2010 be noted.
- ii) The adjustments to the financial statements as set out in the report now presented be noted.
- iii) The Chair of the committee be authorised to sign the letter of representation tabled at the meeting.
- iv) The findings in relation to the value for money conclusion as set out in the report now presented be noted.

### **Audit Commission Lancashire Pension Fund Annual Governance Report 2009/10**

The committee considered a report on the Audit Commission's Lancashire Pension Fund Annual Governance Report for the year ending 31 March 2010. The report included the letter of representation which gave the Audit Commission specific management assurances regarding the accounts of the Lancashire Pension Fund.

In commenting on the report, Clive Portman, District Auditor, informed the committee that the financial statements had been completed to a good standard and were supported by comprehensive working papers.

The committee noted the action plan issued by the Audit Commission which required the council to provide greater assurance over private equity investment valuations and also continued effort to achieve effective implementation of a separate bank account for the pension fund by 1 April 2011

The committee was informed that the Audit Commission expected to issue an unqualified opinion on the financial statements by 30 September 2009.

The committee was also informed that the executive director of resources had signed the letter of representation to the District Auditor and Members were asked to agree to the chair of the committee signing the letter.

#### **25. Resolved: That:**

- i) The Audit Commission Lancashire Pension Fund Annual Governance Report covering the audit of the County Council for year ended 31 March 2010 be noted.
- ii) The chair of the committee be authorised to sign the letter of representation tabled at the meeting.

- iii) That the proposed action plan set out at Appendix 4 to the report be endorsed.

**Accounts of the Lancashire County Council's and the Lancashire County Pension Fund 2009/10 (Item 9)**

Following consideration of items 7 and 8, the committee was informed that the executive director of resources had signed the amended 2009/10 Statement of Accounts in respect of the County Council and the Lancashire County Pension Fund and were asked to agree to the chair of the committee signing them.

**26. Resolved:** That the chair of the committee be authorised to sign the amended 2009/10 Statement of Accounts presented at the meeting.

**Date of Next Meeting**

**27. Resolved:** It was noted that the next meeting of the committee would be held on Monday 24 January 2011 at 2.00 p.m. at the County Hall, Preston.

County Hall  
Preston

I M Fisher  
County secretary and solicitor