

**Lancashire County Council
Audit Committee**

Monday 24 January 2011

Minutes

Present:

County Councillors

S Chapman (Chair)

K Brown

M Parkinson

H Henshaw

M Welsh

J Lawrenson

D Westley

M Younis

Officers in attendance

Beryl Rhodes – LCDL head of finance and HR (Item 3)

Habib Patel, head of strategic partnerships and performance (Item 4)

Mike Jensen – head of treasury management and the pension fund (Item 5)

George Graham – assistant director of finance (Item 6)

Roy Jones - assistant county secretary

Ruth Lowry – head of internal audit (Items 7, 8 & 9)

Ian Rushworth – principal auditor (Item 9)

Andy Fox – principal auditor

Rachel Tanner – principal auditor

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

Bernard Noblett deputy director, LCCG (Item 8)

Dawn Butterfield, head of commissioning, ACS (Item 8)

Camilla Hardy, acting head of personal social care, ACS (Item 8)

Item 1 Disclosure of Personal and Prejudicial Interests

County Councillors S Chapman, M Parkinson and D Westley declared a personal interest in item 11 as members of the Lancashire County Council Pension Fund.

County Councillor Michael Welsh declared a personal interest in item 4 as Chairman of Lancashire County Developments Limited.

County Councillor M Parkinson declared a personal interest in item 9 as a governor of Mount Pleasant Primary School, Clayton-le- Moors.

County Councillor Westley declared a personal Interest in Items 4 & 5 as the finance cabinet member at West Lancashire District Council.

Item 2 Minutes of the Meeting held on 27 September 2010

Resolved: That the minutes of the meeting held on 27 September 2010 be confirmed and signed by the chair.

**Item 3 Accounts of Lancashire County Developments Limited
2009/10**

A report was presented by Beryl Rhodes, head of finance and human resources on the 2009/10 audited Statement of Accounts for Lancashire County Developments Limited (LCDL).

It was reported that the company continued to support economic growth across Lancashire by supporting the development of new, innovative business in a number of key sectors.

It was also reported that the company had made a profit in 2009/10.

Resolved: That the 2009/10 Statement of Accounts for Lancashire County Developments Limited be noted.

Item 4. 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.

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. It was reported orally that since the publication of the report, anomalies had been identified in the scores used to assess five potential risk areas. It was noted that these would be referred back to the directorates concerned for further consideration.

In considering whether the content of the risk register reflected the key risks facing the council, the committee commented that the proposal to transfer responsibility for public health to local authorities was a serious risk and as such should be included in the risk register:

It was also felt that the proposal to allow local communities to run their own services could pose a serious risk to council services and as such should also be included in the risk register.

Resolved: That:

- i) The content of the corporate risk register be noted.
- ii) The following risks be included in the risk register:
 - a. The financial risk to the council associated with its proposed role as having responsibility for public health services; and
 - b. The risk to council services arising from proposals to allow local communities to run their own services.
- iii) The actions being taken in response to identified risks and the current process for identifying risk be noted.

Item 5. Update on Treasury Management Activity

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 was reducing credit risk whilst maintaining investment interest rates and also making plans to raise future capital financing funds in capital markets. Details of the treasury management activities were presented to the committee at appendix A.

The committee noted the recent developments in treasury management and indicated that it would welcome a further briefing session on treasury management activities in order to assist in their understanding of the subject. It was suggested that the Cabinet and the Pension Fund Committee and its trustees would also benefit from training in this area.

- Resolved:**
- i) That the update on treasury management activities as set out at appendix A to the report now presented, be noted.
 - ii) That a further briefing on treasury management activities be provided to the committee in the future in order to provide members with more specific knowledge to assist in their understanding of treasury management.

Item 6 Overview of the implementation of International Financial Reporting Standards for the accounts of the county council

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.

Resolved: That the report be noted.

Item 7 CIPFA's Statement on 'The role of the head of internal audit'

Ruth Lowry, head of internal audit presented a report on a statement issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on 'The role of the head of internal audit'.

The committee noted that the role of the head of internal audit was to help organisations achieve their objectives by giving assurance on internal control arrangements and to play a key role in promoting good corporate governance.

Resolved: That the report be noted.

Item 8 Internal Audit Progress Report

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

The report included a summary of the work performed and a comparison with work planned, and 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 'employees on the payroll and also receiving pensions'. The committee noted that revised guidance had been issued to human resource managers in this respect and requested that a further update on the subject be presented to the next meeting of the committee on 21 March 2011.

The committee also raised a concern in respect of the levels of assurance given over the controls operating in 10 out of 21 of schools audited. The committee sought further clarification on the level of control operating in the county's schools generally and agreed that a further update be presented to the next meeting of the committee on 21 March 2011.

The committee's attention was drawn to a review of the reablement service, a service commissioned by the Adult and Community Services Directorate and provided by the Lancashire County Commercial Group (LCCG). Dawn Butterfield, head of commissioning (ACS), Camilla Hardy, acting head of personal social care (ACS) and Bernard Noblett, deputy director (LCCG), attended the meeting and presented an oral update on the progress made to date in producing a service level agreement between the two directorates. The committee was pleased to note that the service level agreement was progressing well and nearing completion.

The committee noted that as a result of the council's need to make cost savings, the internal audit service staffing establishment had been reduced by

three posts and that a further team member would leave in 2011/12. Whilst it was expected that some work was likely to slip into the first quarter of 2011/12, it was anticipated that the audit service would be able to complete this year's plan appropriately. It was also reported that in future, as a consequence of the reduction in its staffing establishment, the internal audit service intended to undertake a broader review of services than at present.

Resolved:

- i) That the internal audit progress report for the nine months to 31 December 2010 as now presented, be noted.
- ii) That further updates on employees on the payroll and receiving pensions and the level of controls in schools be presented to the next meeting of the Audit Committee on 21 March 2011.

Item 9 Internal Audit Report – Sure Start, Early Years Childcare Services Commissioning Arrangements

A report was presented on the progress made by the council in addressing the issues identified in an internal audit report on Sure Start, Early Years and Childcare Services commissioning arrangements and specifically in relation to Sure Start Hyndburn.

The committee was informed that the recommendations in the report had now been implemented. In particular, commissioning agreements for the current year had been signed by each of the Sure Start providers. Action to monitor expenditure to ensure it was eligible was scheduled to begin in January 2011. A further recommendation relating to monitoring expenditure against agreed funding would be implemented only when the new commissioning agreements were issued.

With regard to Sure Start Hyndburn, the committee noted the actions agreed and an update on the current position in relation to three areas: the commissioning agreement, financial management and the use of grant funding.

Resolved: That the report be received.

10. Annual Audit letter 2009-10 – Audit Commission Report

Clive Portman, district auditor presented the Audit Commission's Annual Audit letter for 2009/10 which summarised for members the findings from the commission's 2009/10 audit.

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 council's use of resources.

It was noted that the Audit Commission had concluded that the accounts gave a true and fair view of the financial position of the council and its spending and income for 2009/10. The commission also concluded that the council had adequate arrangements in place in respect of 'value for money'.

Resolved: That the Annual Audit letter 2009/10 be noted.

11. Audit Commission Lancashire County Council and Pension Fund 2010/11 Audit Plans

The committee considered reports on the Audit Commission's Audit Plans in respect of Lancashire County Council and the Pension Fund for 2010/11.

The plans set out the audit work the Audit Commission proposed to undertake in relation to the audit of the financial statements 2010/11 and the provision of a value for money conclusion for the Lancashire County Council presented at appendix A to the report and the audit of the Pension Fund financial statements at appendix B to the report. The plan was based on the Audit Commission's risk-based approach to audit planning which assessed:

- current national risks relevant to the council's local circumstances; and
- the council's local risks and improvement priorities.

The report included a summary of the key risks for the financial statements and VFM conclusion identified through this process together with the auditor's planned response.

The District Auditor took the opportunity to provide the committee with an update on the future position of the Audit Commission.

Resolved: That the reports 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 21 March 2011 at 2.00 p.m. at the County Hall, Preston.

I M Fisher
County Secretary and Solicitor

County Hall
Preston