

**Lancashire County Council  
Audit Committee**

**Monday 26 September 2011**

**Minutes**

**Present:**

**County Councillors**

S Chapman (Chair)

K Brown

J Lawrenson

C Grunshaw

M Welsh

H Henshaw

D Westley

M Younis

**Officers in  
attendance**

Mike Jensen – chief investment officer

Andy Ormerod – senior accountant

Ruth Lowry – head of internal audit

Ian Rushworth – principal auditor

George Graham – deputy county treasurer

Joan Grant – senior accountant

Fiona Blatcher – senior audit manager, Audit Commission

Clive Portman - district auditor, Audit Commission

Roy Jones - assistant county secretary

**1. Apologies**

None were received.

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

County Councillor S Chapman declared a personal interest in Item 6 as a home educator.

County Councillors S Chapman, D Westley and H Henshaw declared a personal interest in items 7 & 8 as members of the Lancashire County Pension Fund.

**3. Minutes of the Meeting held on 27 June 2011**

With regard to page 3 of the Minutes (Update on treasury management activity), it was reported that the committee would be invited to a separate briefing session on treasury management activities towards the end of the year.

**Resolved:** That the minutes of the meeting held on 27 June 2011 be confirmed and signed by the chair.

#### **4. 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 financial year to date.

This review outlined the treasury management activities of the county council during 2011/12 to date and included:

- A review of the economic conditions during 2011/12 and the impact on the county council's borrowing and lending activities;
- Borrowing to finance capital expenditure;
- Investment of cash balances; and
- An update on the investment frozen in Landsbanki.

Details of the treasury management activities were presented at appendix A.

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

#### **5. Risk Management**

Ruth Lowry, head of internal audit, informed the members that following a change in officers' responsibilities, the way in which the council managed risk was currently under consideration.

It was noted that as proposals were developed, they would be brought to the committee and its views would be sought.

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

#### **6. Internal Audit Service progress report**

Ruth Lowry, head of internal audit, presented an internal audit progress report for the five months to 31 August 2011.

The report included a summary of the work performed and a comparison with work planned; key issues emerging from internal audit work; progress made in relation to cross cutting and corporate risks; cross service controls; common controls; and service specific controls. It also set out the resourcing issues affecting the delivery of internal audit objectives.

It was reported that given the degree of change across the council's services, much of this year's audit work had been weighted towards the end of the year to minimise the additional disturbance to services. The focus in the first five months of the year had therefore been on completing the few remaining audits from the previous year, on school audit visits, counter fraud testing, and on compliance testing fundamental system controls rather than beginning many more substantial control systems audits.

It was also reported that the internal audit service had nearly completed their follow up review of the recommendations raised in its Elective Home Education report. The committee noted that whilst some of the recommendations had been implemented, others were awaiting further legal advice prior to implementation and the introduction of new procedures. The committee also noted that as the legal advice was clarified it was possible that some of the original recommendations would be amended.

Reference was made to an email circulated that morning to the members of the committee on behalf of the Lancashire Home Education Forum Group (HEFG). The email related to the county council's protocol and procedures on elective home education. The email raised issues relating to the process being followed by the Elective Home Education Service for the introduction of new procedures including not complying with recommendations arising from a complaint made against the service; misunderstanding of the legal duties of the Authority; lack of consultation with home educators; and delays in issuing revised policy.

The committee expressed concern at the issues raised including the resources involved and time spent in dealing with the issues and sought confirmation that these matters had been brought to the attention of the appropriate Cabinet Member and Executive Director. It was confirmed that these issues had been discussed with both the Cabinet Member for Children and Young People and the Executive Director for Children and Young People.

The Chair informed the committee that he had been given the opportunity to view the internal audit report on elective home education and found it to be extremely informative. He recommended that members of the committee should also avail themselves of the opportunity to view internal audit reports should they be interested in a specific issue.

**Resolved:** That the internal audit progress report for the five months to 31 August 2011 as now presented, be noted.

## **7. Approval of the Lancashire County Pension Fund's Statement of Accounts 2010/11**

The committee was asked to approve the Lancashire County Pension Fund's Statement of Accounts for 2010/11, as presented by George Graham, deputy county treasurer.

Regulations governing the process and delegated authority from the county council required that the chair of the committee sign off the accounts once they were approved by the committee.

The Statement of Accounts included the fund account and the statement of net assets and had been prepared in accordance with International Financial Reporting Standards and initial consultation with the Audit Commission.

The Statement had been signed by the treasurer to the Lancashire County Pension Fund to certify that it presented fairly the position of the Fund at 31 March 2011 and its income and expenditure for 2010/11.

The deputy county treasurer commented that it had been a relatively good year for the Pension Fund although the Fund continued to be subject to the vagaries of the financial markets. He also commented on the fund's assets and liabilities.

It was noted that the accounts of the Lancashire County Pension Fund, had been placed on deposit and had been available for public inspection between 4 July and 29 July 2011.

**Resolved:** That the Lancashire County Pension Fund's Statement of Accounts for 2010/11 be approved and signed by the chair of the committee.

## **8. Approval of the County Council's Statement of Accounts 2010/11**

The committee was asked to approve the county council's Statement of Accounts for 2010/11, as presented by George Graham, deputy county treasurer.

Regulations governing the process and delegated authority from the county council required the chair of the committee to sign off the accounts once they were approved by the committee.

The committee was informed that the Statement of Accounts had been prepared in accordance with the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and were the first to be prepared on an International Financial Reporting Standards (IFRS) basis.

The statement had been compiled according to an agreed detailed programme of work to close the council's accounts accurately and approve them within the deadline of 30 September. The statement had been signed by the county treasurer to certify that it presented fairly the income and expenditure for 2010/11 and the financial position of the county council as at 31 March 2011.

The committee was taken through the main components and key issues of the statement, including the details of the status of the Statement of Accounts i.e. details of the council's spending and income in 2010/11 and how they compare with the budget; the main changes to the accounts for 2010/11 under IFRS, the financial statements including the movement in reserves statement, the comprehensive Income and expenditure statement, the balance sheet and cash flow statement and finally the auditor's report.

The Pension Fund accounts were also included with the accounts as well as a separate item on the agenda.

It was noted that the accounts of the county council had been placed on deposit and had been available for public inspection between 4 July and 29 July 2011.

**Resolved:** That the county council's Statement of Accounts for 2010/11 be approved and signed by the chair of the committee.

## **9. Audit Commission Annual Governance Report 2010/11**

The committee considered the Audit Commission's Annual Governance Report for the year ending 31 March 2011. The report included the letter of representation which gave the Audit Commission specific management assurances regarding the accounts of the Lancashire County Council and Lancashire County Pension Fund.

In commenting on the county council's accounts, Clive Portman, district auditor, informed the committee that he had not identified any material errors within the financial statements and those errors which had been identified had not affected the underlying financial position of the council. He also commented that this was a significant achievement on the part of the council's finance staff as it had been a particularly challenging year with the introduction of a number of changes.

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 responded well to the demands placed on it and the challenge now was for the council to monitor and manage the effective delivery of their financial and operational plans.

In commenting on the Lancashire County Pension Fund account, Fiona Blatcher, senior audit manager, informed the committee that the audit work had not identified any errors in the principal financial statements. The committee noted that no significant weaknesses in internal control had been identified, although a number of areas of improvement within the ICT control environment were highlighted.

The committee was informed that the county treasurer 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.

**Resolved:** That:

- i) The Audit Commission Annual Governance Report covering the audit of the County Council and Lancashire County Pension Fund for year ended 31 March 2011 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.

## **10. Urgent Business**

There were no items of urgent business.

## **11. Date of Next Meeting**

**Resolved:** It was noted that the next meeting of the committee would be held on Monday 23 January 2012 at 2.00 p.m. at the County Hall, Preston.

## **Retirement of Clive Portman, District Auditor**

The Chair reported that this would be Mr Portman's last meeting before retiring from the Audit Commission.

The committee joined with the Chair in thanking Mr Portman for his excellent service and support and wished him a long and happy retirement.

I M Fisher  
County secretary and solicitor

County Hall  
Preston