

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 15th June 2011

**PRESENT: Councillor Aldred (Chair)
Councillors Driver, Evans, Marriott and Morris**

**IN ATTENDANCE: Mr P Seddon, Head of Financial Services
Mrs J Crawford, Finance Manager
Mr A Fox, Principal Auditor, Lancashire Audit Service
Mr T Hough, Audit Manager, Audit Commission
Mr M Ali, Co-opted Member
Mrs J Cook, Committee Officer
Councillor Essex
1 member of the public**

1. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Neal, Mr Z Abbas and Mr C Portman.

2. MINUTES OF THE MEETING HELD ON 1ST MARCH 2011

Resolved:

That the Minutes of the meeting held on 1st March 2011 be signed by the Chair as a correct record.

3. DECLARATION OF INTEREST

Councillor Peter Evans declared a personal interest in Item 8 as he was a member of the Lancashire County Council Pensions Committee in his capacity as a County Councillor.

4. URGENT ITEMS OF BUSINESS

There were no urgent items of business.

5. OUTSTANDING ITEMS FROM THE LAST MEETING

The Chair noted that at the last meeting the committee agreed to defer an item in the International Financial Reporting Standards report. This was that the accounting policy amendment for componentisation be deferred to allow for further research to be undertaken on the 'de-minimis' value for lager assets. The Finance Manager presented an update as follows:

Following benchmarking of the Componentisation Policy across Lancashire neighbours, the de-minimis level included in this Draft Statement of Accounts (Note 17 on page 44) has been increased to £500k.

6. PUBLIC QUESTION TIME

The Chair noted that the member of public present would be allowed to ask questions as the items were taken on the agenda.

7. CHAIRS UPDATE

There were no items to update the Committee with, other than that raised at Item 5.

8. ANNUAL GOVERNANCE STATEMENT AND DRAFT STATEMENT OF ACCOUNTS 2010/11

The Finance Manager introduced the report which sought Member approval for the Annual Governance Statement for the year ended 31st March 2011 and informed Members of the Draft Statement of Accounts for the year ended 31st March 2011 ahead of the public inspection and external audit regime.

Annual Governance Statement

The statement had been updated for the year ended 31st March 2011 and remained much the same in previous years, with any significant issues having been fully reviewed. The main change was highlighted as the addition of the risks arising from the Medium Term Financial Strategy and its requirement to save £1m over the medium term.

Draft Statement of Accounts 2010/11

The Finance Manager outlined the draft statement of accounts for 2010/11 and drew members attention to several matters:-

- Overall there had been a net increase in the General Fund Reserve of £49k after a £149k net transfer to Earmarked Reserves and a £224k provision towards future costs of operational vehicle maintenance and replacement.
- It was noted that on Page 17 of the Statement of Accounts, the Gross Expenditure figure for (Surplus)/Deficit on Provision of Services should read £47,209k.
- The balance sheet showed a favourable movement of £11,136k, but £10,030k of this related to the valuation of the assets and liabilities held for the Council in the Lancashire Pension Fund following publication of the full revaluation of the fund in March this year.
- The significant changes in short-term debtors and creditors were explained.
- The movement in long-term borrowing was explained as the first year's payment against the PWLB loan for the Leisure Investment
- Unapplied Government Grants have risen with the unused balances of the Housing Market Renewal grant and the Housing Capital Pot grant, both of which have plans for spending in the coming year.

A Member of the public queried the accuracy of market information on page 35 of the Statement and it was confirmed that this information was accurate; however consideration would be given to wording this sentence differently.

As noted in the report, the Finance Manager gave assurance to the Committee regarding the current position of contingent assets and liabilities.

Discussion took place on the item and the following issues were raised:-

- Pension provision and the effect on the Council's finances.
- Contingent assets and liabilities – it was noted that the business case to ensure Haslingden Sports Centre became self-funding was progressing, and therefore the current financial risk to the Council is being managed.
- Trust Funds – the Head of Finance gave clarification on the financial arrangements for the Community Foundation for Lancashire.

Resolved:

1. That the contents of the report are noted and:-

- The Annual Governance Report at Appendix 1 of the committee report be approved.
- That the Draft Statement of Accounts at Appendix 2 of the committee report be noted ahead of Audit and Public Inspection from June to August 2011.

9. ANNUAL INTERNAL AUDIT REPORT 2010/11

The Principal Auditor outlined the report which informed Members of the work carried out during the internal audit 2010/11. It was noted that substantial assurance was provided over the internal control environment. Follow-ups on earlier recommendations had been carried out during the year and timetables for implementation were in place. The Principal Auditor drew Members' attention to follow-up work on payroll system access, council tax visits to empty properties, write-off of council tax debts and waste and recycling performance indicators.

It was noted that in 2010/11 229 audit days had taken place against a planned input of 280 days, with the balance carried forward into 11/12 in order to complete the 10/11 plan. .

Discussion took place on the item and the following issues were raised:-

- Accuracy of empty property lists.

Resolved:

That the internal audit annual report for the period 1st April 2010 to 31st March 2011 is noted.

10. ANNUAL INTERNAL AUDIT PLAN 2011/12

The Principal Auditor outlined the Internal Audit Plan for the forthcoming year 2011/12. A total of 260 audit days were planned. It was noted that meeting had taken place with the Council's Senior Management Team and Extended Management Team and the plan included suggestions on items to include in the coming year. The plan would include work on financial administration of elections, information governance (e.g. data

protection and data sharing) and leisure and communities.

Discussion took place on the item and the following issues were raised:-

- The importance of proper data usage.
- Financial arrangements for elections and how money is reclaimed from the Electoral Commission.

Resolved:

That the Internal Audit Plan for 1st April 2011 to 31st March 2012 is approved.

11. NATIONAL FRAUD INITIATIVE

The Principal Auditor outlined the report which updated Members on the 2011/12 National Fraud Initiative. The Initiative is a mandatory data matching exercise which is designed to detect fraudulent and erroneous payments. It was noted that the testing relevant to the Council was primarily directed towards housing benefit, however it would address other areas such as payroll, creditors, etc.

It was noted that 1,410 matches for 2010/11 had been received during January and February 2011 and were in the process of being investigated. The highest number of matches related to concessionary travel passes, which was a common theme across Councils.

Discussion took place on the item and the following issues were raised:-

- Claiming back erroneous payments and the benefit to the Council.

Resolved:

That the report is noted.

12. ANNUAL AUDIT FEE 2011/12

The Audit Manager – Audit Commission outlined the Annual Audit Fee letter for 2011/12 and noted that the fee would be £100,268. Some rebates to the fee may be applied, however the percentages were not yet known. The appendix to the letter outlined the reports which would be issued during the course of the audit.

Discussion took place on the item and the following issues were raised:-

- Future of the Audit Commission and 2012/13 work.

Resolved:

That the letter is noted.

The meeting commenced at 6.30pm and closed at 7.55pm

Signed
(Chair)

Date