

Report of the Audit and Governance Committee - Matters for Information

The following matters were considered by the Audit and Governance Committee at its meeting on 27 January 2014:

1. Accounts of Lancashire County Developments Limited 2012/13

A report was presented by Beryl Rhodes, head of commercial and central finance on the 2012/13 audited Statement of Accounts for Lancashire County Developments Limited (LCDL).

The committee was informed that the company had made a pre-tax profit of £4,663,998 for the period. This was mainly attributable to a £8,212,000 gain on disposal of assets as a result of the fire at the Lancashire Business Park in Leyland. There had also been a loss of £4,054,284 resulting from the reduction in the valuation of property assets following the revaluation of the property portfolio.

Decision Taken: That the 2012/13 Statement of Accounts for Lancashire County Developments Limited as set out at appendix A to the report, be noted.

2. 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 for the period from August to November 2013 and included:

- A review of the economic conditions
- An assessment of the appropriateness of treasury strategy within the current and predicted economic environment
- Borrowing activity
- Investment activity
- Actual results measured against 2013/14 prudential indicators and treasury management indicators.

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

Decision Taken: That the review of treasury management activities for the period from August to November 2013 as shown at appendix A to the report now presented, be noted.

3. Internal Audit Service Progress Report

Ruth Lowry, chief internal auditor, presented the internal audit progress report for the nine months to 31 December 2013.

The report summarised the main issues emerging from the internal audit work completed to date. The report also set out the work performed against the annual

audit plan for the year and the assurance assessment provided where work had been completed, including work to assess progress against management's agreed action plans.

The report highlighted the key issues impacting on the audit plan including the suspension and departure of the former chief executive and a number of matters relating to the council's strategic partnership with BT plc.

It was noted that whilst the Internal Audit Service was itself experiencing difficulties in completing the audit programme as planned, a number of service areas were likewise experiencing delays in implementing the actions agreed as necessary to improve internal controls. Examples of the delays identified during the year to date and which the Internal Audit Service regarded as being of high or moderate risk and most of which had been given either limited or nil assurance were highlighted.

The committee raised concern at the delays in implementing the actions and agreed that the Executive Directors for Adult Services, Health and Wellbeing and Children and Young People be invited to present a progress report to the next meeting on the actions taken to improve internal controls in each of their respective service areas listed in paragraph 2.4 of Appendix A to the report.

The committee also raised concern at the controls in place in relation to Oracle HR/ Payroll and expenses systems which had been given limited and nil assurance respectively. They endorsed the view set out in the report that there was a need to establish more closely the council's expectations of its managers, and to ensure that the council's Oracle HR/ Payroll and expenses systems and other systems were operated more effectively to meet the council's requirements.

Decision Taken: That:

- i) The Executive Director of Adult Services, Health and Wellbeing and the Executive Director of Children and Young People be invited to attend the next meeting of the committee on the 31 March 2014 to present progress reports on the actions taken to improve internal controls in each of their respective service areas listed in paragraph 2.4 of Appendix A to the report.
- ii) The internal audit progress report for the nine months to 31 December 2013 as now presented be noted.

4. External Audit - update report January 2014

Karen Murray, district auditor, presented an update of the audit work proposed to be undertaken in carrying out the 2013/14 Audit.

The report included a summary of emerging issues and developments which the district auditor felt may be relevant to the Council and a number of challenge questions in respect of these emerging issues for the committee to consider.

Decision Taken: That the report be noted.