

## **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 26 January 2015:

### **1. Accounts of Lancashire County Developments Limited 2013/14**

A report was presented by Beryl Rhodes, head of finance (Commercial and Central) on the 2013/14 audited Statement of Accounts for Lancashire County Developments Limited (LCDL).

Key points in the financial statement for 2013/14 were:

1. The LCDL Group pre-tax profit was £1,065,669 for the period.
2. The major reasons for this profit were a £200k reduction in provisions for investments and a lower than anticipated expenditure on economic development projects. The reduction in investment provision resulted mainly from change in the profile of the investments being made.
3. The company's property portfolio was revalued at 31 March and this gave rise to an increase in value from £25.9m to £31.4 million. This reflected the completion of the new building at Leyland following the fire and a small rise in existing buildings on all sites.
4. The balance sheet net worth of the LCDL Group of companies totalled £39,629,889 as at 31 March 2014.

**Decision Taken:** That the 2013/14 Statement of Accounts for Lancashire County Development Ltd, as now presented, be noted.

### **2. Update on Treasury Management Activity**

Mike Jensen, Chief Investment Officer, presented an update report on a review of Treasury Management activities in 2014/15 which presented a very positive picture for Treasury Management.

This review included:

- A review of the economic conditions during 2014/15
- An assessment of the appropriateness of treasury strategy within the current and predicted economic environment.
- Borrowing activity
- Investment activity
- Actual results measured against 2014/15 Prudential indicators and Treasury Management Indicators
- An update on the Council's investment in Landsbanki Is.

It was noted that current market conditions continued to enabled the County Council to take advantage of short term market borrowing

**Decision Taken:** That the Committee note the review of treasury management activities in 2014/15 for the period 1 September to 30 November 2014.

### **3. Internal Audit Service Progress Report**

Ruth Lowry, chief internal auditor, presented the Internal Audit Progress Report. The report highlighted a number of key areas of work undertaken by the Internal Audit Service during the period to 31 December 2014.

It was noted that work had begun to address the corporate information governance arrangements, central procurement, initial assessment for direct payments in the Adult Services Health and Wellbeing Directorate and the case file audit process within Children and Young People's Directorate.

**Decision Taken:** That the Committee note the Internal Audit Service Progress Report for the nine months to 31 December 2014.

### **4. CIPFA Code of Practice - Managing the Risk of Fraud and Corruption**

Ian Rushworth, Audit Manager, presented a report on CIPFA Code of Practice – Managing Risk of Fraud and Corruption.

The committee noted that the council already had adequate and effective counter fraud arrangements in place and as such was compliant with the vast majority of the CIPFA code. However, three areas for recommendation had been identified which could be strengthened by these arrangements.

**Decision Taken:** The Committee note the report and approve that:

1. A statement is included in the annual governance statement that LCC had adopted a response appropriate to the fraud and corruption risks it faces and a reference is made to the CIPFA Code of Practice;
2. LCC review its anti-fraud policy and strategy by the end of March 2015;
3. LCC staff in key roles complete a fraud awareness e-learning course.

### **5. External Audit - Lancashire County Council Update Report**

Karen Murray, Director for Grant Thornton, presented the External Audit Update Report to the Committee. The report included progress to date with the 2014/15 audit of accounts, Value for Money (VfM) conclusion and other work.

The Committee was informed that the scope of External Audit's work to inform the 2014/15 VfM conclusion comprised considering the County Council had appropriate arrangements in place for:

- Securing financial resilience; and
- For challenging how it secured economy, efficiency and effectiveness

It was reported that intelligence was being gathered by External Audit at this stage and there were no conclusions yet on VfM.

**Decision Taken:** The Audit and Governance Committee note the report.

## **6. External Audit - Lancashire County Council Annual Audit Letter**

Karen Murray, Director for Grant Thornton, presented the report on the External Audit's Annual Audit Letter. The Annual Audit Letter summarised the outcome of External Audit's work in 2013/14. It included the key messages in relation to the financial statements audit and audit opinion, and Value for Money conclusion.

The Annual Audit Letter had been reported to Cabinet in December 2014.

**Resolved:** That the External Auditor's Annual Audit Letter as now presented be noted.