

## **Lancashire County Council**

### **Audit, Risk and Governance Committee**

**Minutes of the Meeting held on Monday 18th October 2021 at 2.00 pm in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston**

#### **Present:**

County Councillor Alan Schofield (Chair)

#### **County Councillors**

U Arif	J Couperthwaite
R Bailey	J Shedwick
J Berry	R Swarbrick

#### **1. Apologies**

The Chair welcomed everyone to the meeting, and it was noted that County Councillor Jeff Couperthwaite had replaced County Councillor Matthew Maxwell-Scott as a member of the committee.

Apologies were received from Angie Ridgwell, Chief Executive and Section 151 Officer.

It was also noted that this was the last committee meeting for Ruth Lowry, Head of Internal Audit. Members thanked Ruth for her service to the council and support to the committee.

#### **2. Disclosure of Pecuniary and Non-Pecuniary Interests**

None.

#### **3. Minutes of the Meeting held on 26 July 2021**

**Resolved:** That the minutes of the Audit, Risk and Governance Committee meeting held on 26 July 2021 be confirmed as an accurate record.

#### **4. External Audit: Lancashire County Council Audit Findings Reports 2020/21**

Stuart Basnett, Audit Manager, Grant Thornton UK presented a report to outline the audit findings for Lancashire County Council for 2020/21.

It was highlighted that:

- The audit was ongoing, and a list of outstanding work could be viewed on page 11 of the agenda. Grant Thornton aimed for the audit work to be

completed by the end of November 2021. The date for final sign-off was still being discussed but was expected to be in time for the January 2022 committee meeting.

- The county council had prepared a very good set of draft accounts, for which no significant amendments had been identified during the audit. Any changes to improve disclosure had been minor.
- Subject to completion of the outstanding work, it was anticipated that an unqualified overall opinion would be issued.
- The 2019-20 audit opinion included an emphasis of matter due to the material uncertainty disclosed by the valuer of the county council's properties. No such disclosure had been made this year and so an emphasis of matter would be included in the 2020-21 audit opinion.
- As the committee had previously been notified, the deadline for the Value for Money work was three months after the external auditor's opinion of the accounts had been signed-off. Nonetheless, work had begun on Value for Money and it was hoped that the Annual Auditor's Report would be presented to the committee's January meeting.

In response to questions from members, it was clarified that:

- Grant Thornton carried out work to check if the value of the county council's operational land and buildings on 31 March 2021 was not materially different to the valuation dated 1 April 2020. The council's investment properties were held by Lancashire County Developments Limited (LCDL) and were valued by an external valuer in 2020-21.
- The Financial Reporting Council had recently focussed on ensuring auditors sufficiently challenged the valuation of land and buildings, which had led to an increased workload for auditors compared to 5 or 6 years ago. The valuation of land and buildings had not added significant delays to the county council's audit but had relied on more experienced staff to complete the work. Grant Thornton had selected a sample of county council assets to be reviewed and were waiting to receive the relevant valuation reports. Grant Thornton's own valuer also reviewed the terms of engagement with the county council and some of the council's valuation reports in order to check the council's approach to valuation was consistent.
- The county council's accounts included the council's pension liability owed to employees, as it is an employing organisation.

In response to a query from the Chair relating to risks previously identified by the Internal Audit Service with payroll leavers control, which were also highlighted in

Grant Thornton's report, it was noted that performance had improved in this area following the return of payroll services to the county council from BTLS. It was agreed that the Director of Finance, Neil Kissock would provide the committee with an update at its next meeting.

**Resolved:** That

- i) The Lancashire County Council Audit Findings Report 2020/21, as presented, be noted; and
- ii) An update on improvements to the county council's payroll leavers controls be provided to the committee at its next meeting on 31 January 2022.

#### **5. External Audit: Lancashire County Pension Fund Audit Findings Report 2020/21**

Stuart Basnett, Audit Manager, Grant Thornton UK presented a report to outline the audit findings for Lancashire County Pension Fund for 2020/21.

It was highlighted that:

- As with the county council, the Pension Fund audit had been smooth to date with no significant adjustments to the accounts identified. The quality of the Pension Fund statement of accounts was commendable, particularly amidst some staffing changes at the council.
- The audit was substantially complete, as the outstanding work on journals identified in the report had now been finalised. It was anticipated that the final audit report would provide an unqualified opinion.
- The significant risks, and therefore areas of focus, for the audit included management override of controls and the valuation of Level 3 investments. No significant issues had been identified in relation to either risk; neither had the audit identified any issues with the Pension Fund Annual Report.
- The Pension Fund audit could not be signed-off until the county council audit was ready to be signed-off. As a result, there would be a delay between completion of the Pension Fund audit and its sign-off.

The Chair highlighted that it was positive to note that the Pension Fund's statement of accounts had been published on 26 May 2021, more than two months in advance of the statutory deadline. The Chair thanked the county council's Corporate Finance Team for their excellent performance.

The Chair thanked Stuart for his presentation of both external audit reports.

**Resolved:** That the Lancashire County Pension Fund Audit Findings Report 2020/21, as presented, be noted.

## **6. Internal Audit Charter**

Ruth Lowry, Head of Internal Audit presented the county council's updated Internal Audit Charter for the committee's approval.

It was highlighted that:

- The Internal Audit Charter set out the relationship between the Internal Audit Service and the county council, as well as the legal and statutory frameworks and professional guidance for internal audit work.
- The Charter is regularly maintained and reviewed but following the Local Elections and the start of a new administration in May 2021 it was appropriate to seek the committee's approval again.
- Auditors make an annual declaration of interests and annually agree to the Public Sector Internal Audit Standards, specifically the Code of Ethics, as referenced at Section 4 of the Charter.
- Section 6 of the Charter establishes the Service's unrestricted and direct access to information held by the council, which supports the wide-ranging remit of internal audit work.
- The responsibilities of the Audit, Risk and Governance Committee in relation to internal audit are set out in the appendix to the Charter.

In response to questions from members, the following information was provided:

- The Internal Audit Annual Plan sets out the areas that would be reviewed throughout the year. The Plan generally focusses on the control systems and processes in place across the county council's directorates.
- Since the Internal Audit Charter was last approved by the committee, four years ago, a number of changes had been made including reference to the auditors' Code of Ethics and aligning the committee's responsibilities in the Charter with the committee's Terms of Reference.
- Members could approve, though not direct, the content of the Internal Audit Annual Plan as well as highlight any identified risks to the council's objectives with the Internal Audit Service. Ultimately, the Head of Internal Audit determined the Plan, which for the current year was approved by the committee at its meeting on 26 April 2021.

- While the Charter set out the overall framework for internal audit work, the Internal Audit Annual Plan and Annual Report provide the context for that work. The Annual Plan and the Annual Report should be read alongside the Charter for a complete overview of the Internal Audit Service.
- The opinion provided by the Head of Internal Audit annually, which provides a level of assurance, was the significant output of all internal audit work undertaken.

Members highlighted the importance of internal audit work to councillors' scrutiny of the county council's decision making. It was recognised that Bite Size Briefings and training sessions for councillors were invaluable to bridge the information gaps that sometimes occurred and, as such, to help provide councillors with the information needed to fulfil their roles.

The Chair noted that the independence of the Audit, Risk and Governance Committee, as set out by its Terms of Reference, meant the committee provided a form of scrutiny. Whilst local issues could be discussed as examples, the committee was concerned primarily with the council's processes.

Members were reassured by Section 6 of the Charter, which clearly demonstrated the scope of the Internal Audit Service.

It was agreed that the Internal Audit Annual Report for 2020-21 and the Internal Audit Annual Plan for 2021-22, both reviewed by the committee at its meeting on 26 April 2021, would be recirculated to members.

**Resolved:** That the Internal Audit Charter, as presented, be approved.

## **7. Internal Audit Progress Report**

Ruth Lowry, Head of Internal Audit presented a progress report on the work of the Internal Audit Service for the period to 30 September 2021.

It was highlighted that:

- The work of the Internal Audit Service is dedicated to risk management and controls which, although informative for councillors, was unlikely to be useful in informing divisional issues.
- The progress reports provided a snapshot of the internal audit work undertaken so far this year, highlighting the positives as well as any issues identified. Favourable assurance had been provided in relation to every piece of work undertaken so far. This substantiated the overall opinion provided in April 2021, that the county council had effective controls in place.

- As set out at Section 5 to the report, the Internal Audit Service planned to contact all managers who had agreed to actions resulting from previous years' audits, to confirm that agreed actions had been taken. This information would be shared with the committee and verified by the Internal Audit Service.
- Although not included in the progress report, a new debt management policy for the Pension Fund had recently been agreed by the Pension Fund Committee, which responded to concerns about the Pension Fund's debt collection.

The Chair noted the favourable assurances provided to date and that the Asset Management Service needed to do more work to respond to previous concerns raised.

It was noted that action plans for service delivery were useful following an audit opinion and to ensure accountability.

Ruth thanked the Chair, County Councillor Alan Schofield, for his support to the Internal Audit Service during her time as Head of Service and noted how useful it had been to work with him consistently.

Members thanked Ruth for her invaluable contribution to the committee's work. It was highlighted that the assurances provided by the Internal Audit Service were important to county councillors.

**Resolved:** That the Internal Audit Progress Report, as presented, be noted.

## **8. Appointment of External Auditors**

Khadija Saeed, Head of Corporate Finance presented a report which provided an overview of the options available to the county council for the appointment of an external auditor.

It was highlighted that the county council was currently in a five-year arrangement with Public Sector Audit Appointments Limited (PSAA). As that arrangement was coming to an end, the council's next auditors needed to be appointed by 31 December 2022 for an appointing period commencing 1 April 2023. It was recommended that the council agree to option 3 in the report, to recommission PSAA to undertake the appointment process. If agreed, the deadline to notify PSAA was 11 March 2022.

It was noted that this decision would need to be approved by the Audit, Risk and Governance Committee and the Full Council.

**Resolved:** That it be recommended to the Full Council that the county council recommission Public Sector Audit Appointments Limited to act as the appointing person for the appointment of an external auditor for Lancashire County Council

and Lancashire County Pension Fund for the five financial years commencing 1 April 2023.

## **9. Corporate Risk and Opportunity Register - Quarter 3 Update**

Paul Bond, Head of Legal and Democratic Services presented a report to provide an updated Corporate Risk and Opportunity Register and Summary Risk profile.

It was noted that an updated register had not been presented to the committee since January 2020, due to the Covid-19 pandemic, and that the current register demonstrated a positive direction of travel in relation to each identified risk.

In response to questions from members, it was clarified that:

- The current ICT system used by the council, Oracle R12, would not be supported by the end of the financial year, hence the move to the cloud-based Oracle Fusion. The transition had been delayed by 2-3 months but was still expected to be implemented by June/July 2022.
- Each identified risk was scored according to its impact and likelihood, as set out by the key on agenda page 128. The first score marked the risk level without any mitigations, and the second score provided a target once mitigations were put in place.
- The risk register did not currently cover the risks posed to elected members, though Risk Corp 1 – Reshaping the County Council – did identify a lack of support for county councillors as a risk to the organisation as a whole. Following the recent attack on MP Sir David Amess and the increased awareness of elected members' personal safety, guidance would be circulated to all councillors and a request for training from the Local Government Association had been made. In consultation with the council's Corporate Management Team, the risk to councillors' safety could be added to the risk register.

Members highlighted the importance of thorough risk assessments and support from county council staff when meeting members of the public, for example at face-to-face surgeries. It was noted that conversations about councillors' safety and building security were ongoing with the Facilities Management team.

**Resolved:** That

- i) The Corporate Risk and Opportunity Register, as presented, be noted; and
- ii) The Summary Risk Profile, as presented, be noted.

## **10. Urgent Business**

None.

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

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 31 January 2022 at 2.00 pm at County Hall, Preston.

## **12. Exclusion of Press and Public**

**Resolved:** That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 12A to the Local Government Act 1972.

It was considered that in all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

## **13. Debt Management Policy**

(Not for Publication - Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.)

Khadija Saeed, Head of Corporate Finance presented a private and confidential report which set out a revised Debt Management Policy for invoiced debt owed to the county council.

The committee was reassured that the county council was generally successful at collecting debt and performed favourably compared to other local authorities. Members thanked the council's effective financial assessment team and the debt collection team for their performance.

**Resolved:** That the Debt Management Policy, as presented, be approved.

L Sales  
Director of Corporate Services

County Hall  
Preston