

## Lancashire County Council

### Audit, Risk and Governance Committee

Monday 25th April 2022 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

#### Agenda

##### Part I (Open to Press and Public)

##### No. Item

1. **Apologies**
2. **Disclosure of Pecuniary and Non-Pecuniary Interests**  
Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.
3. **Minutes of the Meeting held on 31 January 2022** (Pages 1 - 8)  
To be confirmed and signed by the Chair.
4. **Internal Audit Annual Report 2021/22** (Pages 9 - 76)
5. **Internal Audit Annual Plan 2022/23** (Pages 77 - 96)
6. **External Audit: Lancashire County Council Audit Plan 2021/22** (Pages 97 - 126)
7. **External Audit: Lancashire County Pension Fund Audit Plan 2021/22** (Pages 127 - 150)
8. **The County Council's Accounts Payable Policy** (Pages 151 - 158)
9. **Corporate Risk and Opportunity Register - Quarter 4 Update** (Pages 159 - 194)
10. **The Council's Annual Governance Statement 2021/22 and Code of Corporate Governance 2022/23** (Pages 195 - 248)
11. **Code of Conduct - Review** (Pages 249 - 252)

**12. Urgent Business**

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

**13. Date of Next Meeting**

The next meeting of the Committee will be held on Monday 25 July 2022 at 2.00 pm at County Hall, Preston.

**14. Exclusion of Press and Public**

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should 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 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

**Part II (Not open to Press and Public)**

**15. Update on the Overpayment of Salaries**

(Pages 253 - 256)

(Not for Publication – Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972.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 interests in disclosing the information).

L Sales  
Director of Corporate Services

County Hall  
Preston

## Lancashire County Council

### Audit, Risk and Governance Committee

**Minutes of the Meeting held on Monday 31st January 2022 at 2.00 pm in Cabinet Room 'A' - The Tudor Room, County Hall, Preston**

**Present:**

County Councillor Alan Schofield (Chair)

#### **County Councillors**

N Aziz	J Couperthwaite
R Bailey	J Shedwick
J Berry	R Swarbrick

County Councillor Usman Arif joined the meeting virtually, via Microsoft Teams.

#### **1. Apologies**

The Chair welcomed everyone to the meeting. It was noted that County Councillor Noordad Aziz had replaced County Councillor Yousuf Motala as a member of the committee.

No apologies were received.

The Chair also welcomed Andy Dalecki, newly appointed Head of Internal Audit, to the county council.

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

None.

#### **3. Minutes of the Meeting held on 18 October 2021**

**Resolved:** That the minutes of the Audit, Risk and Governance Committee meeting held on 18 October 2021 be confirmed as an accurate record, subject to the final paragraph of Item 9 (Corporate Risk and Opportunity Register – Quarter 3 Update) being amended as follows:

"Members highlighted the importance of thorough risk assessments and support for county council staff when meeting members of the public, for example at face-to-face surgeries."

#### **4. Treasury Management Activity 2021/22**

Mike Jensen, Director of Investment, presented a report which provided an overview of the council's Treasury Management Activity for the period April to November 2021.

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

- Future increases in short-term interest rates would impact the county council to some extent, however a substantial amount of the authority's debt was held in long-term, fixed rate bonds which limited the impact of changing rates. A large proportion of the council's investment portfolio was held in floating rate bonds, which would benefit from increasing rates.
- The rate of return on the investment portfolio (currently measured at 0.85%) was expected to increase slightly towards the end of the financial year. It was noted that the rate of return measurement by Arlingclose, the council's treasury management advisors, did not take into account the valuation gains associated with those investments. Nonetheless, a period of volatility was expected.

**Resolved:** That the review of Treasury Management Activity 2021/22 be noted.

#### **5. Treasury Management Strategy 2022/23**

Mike Jensen, Director of Investment, presented the proposed Treasury Management Strategy, Investment Strategy, and Minimum Revenue Provision Policy Statement for 2022/23.

It was highlighted that the policies were mostly unchanged from the previous year, though had been influenced by the anticipated period of increase in interest rates. To respond to this change, it would be necessary to consider managing the council's risks through hedging. The Royal Bank of Canada had been appointed as a clearing agent to facilitate this.

The council's credit matrix had also been adjusted, to take account of the UK Government's reduced credit rating.

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

- Regarding the new category of bonds in companies owned by governments, EDF (Electricité de France) was the primary energy supplier in France and the UK's preferred supplier of nuclear energy.
- Hedging was the process of ameliorating unwanted risks in the portfolio. A further explanation on hedging could be provided at the next treasury

management training session for members of the committee if considered helpful.

- On funding capital programmes, it had been beneficial over the last few years to borrow rather than use the council's existing funds, due to low interest rates. If it became more economical to fund from existing resources, rather than through external borrowing, then the debt level of the authority would be expected to steadily fall.

Members thanked Mike and the wider Treasury Management team for their hard work.

**Resolved:** That the Full Council be recommended to approve the Treasury Management Strategy, Investment Strategy, and Minimum Revenue Provision Policy Statement for 2022/23.

## **6. Internal Audit Progress Report**

Andy Dalecki, Head of Internal Audit, presented a report which provided an update on the Internal Audit Service's work and outcomes for 2020/21, for the period to 31 December 2021.

It was highlighted that:

- Officers were following-up the audit of health and safety at the Integrated Transport Service's operational depot, to ensure that the recommendations of the Internal Audit Service were being implemented.
- On the outstanding actions agreed following audit work completed in 2018/19 and 2019/20, work would be undertaken to verify whether these recommendations were still appropriate.
- The audit of the Building Schools for the Future (BSF) programme had been delayed to the following year and would be included in the 2022/23 Internal Audit Plan, when the service would have more capacity to engage with the Internal Audit team.

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

- In the absence of a contract manager, the Building Schools for the Future contracts were being monitored by the service with the support of specialist consultants.
- The audit planning process for 2022/23 had commenced. Ordinarily, following an audit in which only limited assurance could be given, agreed actions and

progress would be monitored during a follow-up process, rather than added to the next year's Audit Plan.

To ensure agreed actions were being implemented, members asked that updates on the limited assurance audits be included in future progress reports.

Members noted the timeliness of the audit of the administration of the council's scrutiny function, given that scrutiny had also been mentioned in the external auditor's Annual Report for 2020/21. The importance of effective scrutiny and the council's 'Think Scrutiny' guidance were highlighted.

Members also noted with concern the difficulties facing the council's school catering service and asked that the topic be given priority in the Internal Audit Plan for 2022/23.

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

## **7. Code of Conduct - Summary of Complaints**

Paul Bond, Head of Legal, Governance and Registration Services, presented a report which summarised all complaints received against county councillors under the Code of Conduct in 2021.

It was highlighted that the number of complaints received against councillors continued to be low and that all councillors had received Code of Conduct training as part of their induction to the county council.

The Political Governance Working Group continued to review the council's Code of Conduct and the model Code of Conduct published by the Local Government Association. The Working Group would report back to the Audit, Risk and Governance Committee in due course, as agreed at the committee meeting on 25 January 2021.

Members raised concerns that there were no sanctions against county councillors who were found to have breached the Code of Conduct and were reassured that this matter would be raised with the Political Governance Working Group to inform their review of the Code.

**Resolved:** That the summary of complaints received in 2021 be noted.

## **8. External Audit - Auditor's Annual Report 2020-21**

Paul Dossett, Partner, and Stuart Basnett, Audit Manager at Grant Thornton UK presented the external auditor's Annual Report on Lancashire County Council for 2020/21.

It was highlighted that:

- The National Audit Office (NAO) Code of Audit Practice no longer required auditors to provide a binary qualified/unqualified Value for Money conclusion. Instead, auditors were to provide a more holistic overview of the council's arrangements to achieve Value for Money.
- The Annual Report for 2020/21 highlighted a number of improvement recommendations regarding governance and financial sustainability, but no statutory or key recommendations. Officers at the county council would provide a response to these recommendations before the Annual Report was considered by the Full Council.
- Overall, the auditors were satisfied with the arrangements in place at the council in relation to financial sustainability, governance, and improving economy, efficiency, and effectiveness.

In response to questions, members were informed that:

- The minor improvement recommendations made by the auditors were indicative of the strong controls in place at the council.
- As highlighted in the report, benchmark analysis revealed that expenditure in Children's Services and Adult Services was very high compared with other local authorities. The council had arrangements in place to address this.
- The improvement recommendations regarding governance were specific to Lancashire County Council, though in the context of these issues identified across local government more generally.

Members noted with concern that management's responses to the auditor's improvement recommendations were missing from the report. It was agreed that this outstanding information would be shared with members of the committee before the final report was presented to the Full Council, on 17 February 2022.

Neil Kissock, Director of Finance provided reassurance that the auditor's improvement recommendations would be responded to.

**Resolved:** That the findings and improvement recommendations presented in the Auditor's Annual Report for 2020/21 be noted, subject to management's responses to the recommendations being provided to the committee ahead of the Full Council meeting on 17 February 2022.

**9. External Audit - Audit Progress Report and Sector Update January 2022**

Stuart Basnett, Audit Manager at Grant Thornton UK LLP, presented the Audit Progress Report and Sector Update as of January 2022.

No comments or queries were raised by the committee.

**Resolved:** That the External Audit Progress Report and Sector Update for January 2022 be noted.

**10. Accounting Policies Used in the Preparation of the Statement of Accounts 2021/22**

Khadija Saeed, Head of Corporate Finance, presented a report which set out the accounting policies to be used in preparing the council's 2021/22 statement of accounts.

It was highlighted that the policies were mostly unchanged from those used to prepare the statement of accounts for 2020/21.

**Resolved:** That the accounting policies for 2021/22 be approved.

**11. Matters Arising Under Urgent Business Since the Last Meeting**

The committee considered a report which provided information on decisions approved by the Chief Executive and Director of Resources as Urgent Business since the committee's last meeting.

**Resolved:** That the matters arising under Urgent Business since the committee's last meeting be noted.

**12. Urgent Business**

There was one item of Urgent Business to be considered, as follows:

**a. Update on Overpayment of Salaries**

Neil Kissock, Director of Finance, presented an item of Urgent Business to update the committee on improvements to the county council's payroll leavers controls, as requested by the committee at its meeting on 18 October 2021.

The report had not been prepared in time for agenda publication and so, to meet the request of the committee at its last meeting, was to be considered as an item of Urgent Business.



The committee noted that:

- The report did not include information on the effectiveness of the actions taken to recover overpayments.
- The vast majority of overpayments were recovered quickly.
- The council's payroll services had been brought back in house since a peak in the number of overpayment cases in 2019/20.
- An improved Human Resources system, Oracle Fusion, was due to be introduced in July 2022, which would provide better notification at the end of an individual's employment with the county council.

**Resolved:** That

- i) The update on overpayment of salaries be noted; and
- ii) A further report on the overpayment of salaries be provided at the next meeting of the committee, on 25 April 2022, to include information about the 2021/22 financial year and on the amounts which had not been recovered to date.

### **13. Date of Next Meeting**

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 25 April 2022 at 2.00 pm, at County Hall, Preston.

L Sales  
Director of Corporate Services

County Hall  
Preston



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

Meeting to be held on Monday, 25 April 2022

Electoral Division affected: (All Divisions);
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## **Internal Audit Annual Report 2021/22**

(Appendices 'A' to 'P' refer)

Contact for further information:

Andrew Dalecki, Tel: 01772 533469, Head of Internal Audit,

andrew.dalecki@lancashire.gov.uk

### **Executive Summary**

The annual report to Lancashire County Council is provided at Appendix 'A'.

The committee has considered periodic reports of progress throughout the year that support this overall report and the conclusion that moderate assurance can be provided over the county council's systems of internal control and governance. This report summarises the work that the Internal Audit Service has undertaken during 2021/22 and the key themes arising in relation to internal control, governance and risk management across the county council.

Appendix 'B' sets out the scope and responsibilities of Internal Audit in support of the Head of Internal Audit's opinion.

Appendix 'C' sets out a description of the assurance provided for each individual internal audit assignment.

Appendices 'D' – 'P' provide an executive summary of each individual internal audit assignment completed since the last report to the committee on 31 January 2022.

### **Recommendation**

The committee is asked to consider and note the Internal Audit Annual Report 2021/22 and the information it provides to support the county council's Annual Governance Statement for the year.

### **Background and Advice**

The Internal Audit Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the county council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the Head of Internal Audit to

provide an opinion on the county council's control environment and a written report to those charged with governance, timed to support the Annual Governance Statement.

### **Consultations**

The findings presented in this report have been discussed with the council's senior managers and Directors, specifically with the Chief Executive and Director of Resources and Director of Finance.

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

This report supports the Audit, Risk and Governance Committee in undertaking its role, which includes providing independent oversight of the adequacy of the council's frameworks of governance, risk management and internal control.

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

## Lancashire County Council Internal Audit Service Annual Report for the year ended 31 March 2022

### 1 Introduction

#### Purpose of this report

- 1.1 This report summarises the work that the county council's Internal Audit Service has undertaken during 2021/22 and the key themes arising in relation to internal control, governance and risk management across the council.

In April 2021 the Audit, Risk and Governance Committee considered and approved an internal audit plan for 2021/22. At the time it was important that the plan remained flexible to enable the Internal Audit Service to react to the changing risk environment as services adapt and change. As the Council and the Internal Audit Service continues to overcome the challenges that Covid-19 has presented, it is critical that as a service we are able to quickly react to changing circumstances. Over the last 12 months this flexibility has enabled changes to the plan to be made that ensured that Internal Audit's coverage reflected the Council's changing risk environment. This was important in terms of adding value to the Council and in ensuring that a robust annual audit opinion can be provided.

- 1.2 Amendments to the plan have been reported to the committee during the course of the year. The work for the year is now sufficiently complete to support the overall opinion on the frameworks of governance, risk management and internal control, although some pieces of work remain to be finalised and will be reported to the next meeting of the committee.

#### The role of internal audit

- 1.3 The Internal Audit Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the Head of Internal Audit to provide an opinion on the council's control environment and a written report to those charged with governance, timed to support the annual governance statement. This report presents my opinion based upon the work the Internal Audit Service has performed during 2021/22.

#### Interim progress reports

- 1.4 Summaries of the individual pieces of audit work completed throughout the course of the year have been provided in progress reports to each meeting of the Audit, Risk and Governance Committee. Any audit reports will be provided to any members if they wish.

### 2 Summary assessment of internal control

#### Overall opinion

- 2.1 I, the Head of Internal Audit, can provide moderate assurance overall regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.
- 2.2 In forming this opinion, I have considered the work undertaken by the Internal Audit Service throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements. Audit work has covered the full range of the council's services.

- 2.3 The work of Internal Audit has established that as would be the case in any normal organisation, there are some areas of the council's business where improvements need to be made, but there are plans and agreed management actions in place to make these improvements.
- 2.4 Descriptions of the audit work we have done are set out below, and an explanation of the assurance provided by internal audit assignments in 2021/22 are set out in Appendix 'C'.
- 2.5 In making its Annual Governance Statement, the council considers the Head of Internal Audit's opinion in relation to its frameworks of governance, risk management and control. The Council is in a much stronger financial position than many Local Authorities, however, the financial projections show that it still faces financial challenges. The council's Annual Governance Statement should therefore again reflect the continuing challenges presented, along with the Councils' continuing drive and commitment to make challenging cost reductions; the effects of cost reductions on its ability to operate adequate and effective controls to properly manage the risks to its objectives and the continued work to improve its core ICT systems.
- 2.6 The county council has adapted well to the changing risk environment and appears to be operating as would be expected. It should be noted that this favourable assurance is based on a more normal operation of the Internal Audit Service than was possible in the previous year.

## The council's control framework

- 2.7 Our work has been organised in accordance with the Internal Audit Service's planning principles and an understanding of the council's controls at the start of the year, which was set out as follows:

A framework for governance, risk management and control						
<b>Governance and democratic oversight</b>						
Corporate governance framework		Decision-making		Oversight and scrutiny		Policy setting
<b>Business effectiveness</b>						
Risk management	Performance monitoring and management		Organisational design	Financial governance and planning		Working in partnership with others
<b>Service delivery</b>						
Growth, environment, transport & community services			Children's services & education		Adult services, health & wellbeing	
Economic development & planning	Programmes & project management	Community services	Children's services	School improvement & services	Adult Services	Public health
<b>Service support</b>						
Legal services	Skills, learning & development	Core business systems	Property management	Programme management	Business intelligence	Customer access
<b>Business processes</b>						
Financial systems & processes		Procurement		Facilities management		Human resources
Budget monitoring		Contract monitoring & management		Information management		Payroll processing
Investment				Business continuity		ICT systems

## Summary of assurance provided by the Internal Audit Service

- 2.8 Covid-19 continued to present a major challenge to the Council and had a significant impact on all areas of the organisation. As reported in the progress reports to the Committee throughout the year, changes to planned work were necessary in order to provide assurance over the changing risks that the Council faced. Additionally, some planned audit work needed to be deferred to minimise

the impact on services at the frontline of the Council's continued pandemic response.

2.9 The audit work completed during the year was therefore different to that originally planned. However, under the circumstances, it was appropriate for Internal Audit's coverage to reflect the Council's changing risk environment. This is important in terms of adding value to the organisation and in ensuring that a robust annual audit opinion can be provided. The work commenced and completed is therefore considered sufficient and wide-ranging enough to support the annual audit opinion.

2.10 A summary of all the assurance provided during the year to the end of April 2022 is set out in the table below. This includes each internal audit assignment directed to providing controls assurance, but it excludes work for example on the certification of grant funding claims and participation in working groups.

2021/22 assignments relating to:	Total	Assurance provided			
		Substantial	Moderate	Limited	None
Governance	1	-	1	-	-
Business effectiveness	4	4	-	-	-
Service delivery	19	3	14	2	-
Service support	2	1	1	-	-
Business processes	5	4	1	-	-
<b>2021/22 assignments:</b>	<b>31</b>	<b>12</b>	<b>17</b>	<b>2</b>	<b>0</b>
<b>total to date</b>	<b>100%</b>	<b>39%</b>	<b>55%</b>	<b>6%</b>	<b>0%</b>
2020/21	9	3	4	2	0
2019/20	55	20	21	14	0
2018/19	46	18	10	9	0

2.11 A summary of the audits completed in the year is set out below showing the assurance level for each audit assignment. The audits are grouped according to the Committee meeting at which they were presented. The Audits detailed in the table for 25 April 2022 are the audits that have been completed since the last audit committee on 31 January 2022. An executive summary for these audits can be found at Appendices 'D' to 'P'.

## 18 October 2021

Control area	Assurance
Procurement of fleet vehicles	● Substantial
Purchase cards	● Substantial
Prevention of child exploitation	● Moderate
Covid-19 vaccination programme	● Moderate
Staff induction, including the social care academy	● Moderate
Support for the county's economy	● Moderate
Schools' payroll	● Moderate

## 31 January 2022

Control area	Assurance
Financial planning: Data controls	● Substantial

Control area	Assurance
Lessons learned from the organisation's response to covid-19	● Substantial
Treasury management	● Substantial
Administration of the scrutiny function	● Moderate
Health and safety at operational depots: Highways	● Moderate
Health and safety at operational depots: Waste Management Service	● Moderate
Financial assessment teams	● Moderate
Supervision within the quality, contracts and safeguarding (Adults Service)	● Moderate
Supervision and support arrangements (Children's Social Care)	● Moderate
Contract monitoring: Provider led reviews	● Limited
Health and safety at operational depots: Integrated Transport Service	● Limited

**25 April 2022**

Control area	Assurance
Value added tax	● Substantial
Risk management	● Substantial
Corporate performance management	● Substantial
Schools in financial difficulties	● Substantial
Children missing from home and care	● Substantial
Loans from the municipal bonds' agency	● Substantial
Capital Strategy	● Substantial
Cyber security: Baseline technical controls	● Moderate
Approved mental health professional service standards (AMHPS)	● Moderate
Children's safeguarding practice reviews	● Moderate
Accounts payable central controls	● Moderate
Schools financial balances on oracle	● Moderate
Recovery of pension overpayments	● Moderate

### **Wider sources of assurance available to the county council**

- 2.12 The Council's external Auditors Grant Thornton within their annual report published on 20 January 2022 has reported positively regarding the Council's financial sustainability, governance and improving economy, efficiency and effectiveness. They did not identify any risk of significant weakness within the council's arrangements.
- 2.13 The reports provided by Ofsted during the year form important sources of external assurance and may be found on Ofsted's website here: <https://reports.ofsted.gov.uk/local-authorities/lancashire>
- 2.14 The Local Government Association completed the Corporate Peer Challenge for the Council and this has provided some key additional external assurance and may



be found on the Council's web-site here:  
<https://www.lancashire.gov.uk/media/930046/lga-peer-review-2021.pdf>

- 2.15 Some assurance has been taken from the work undertaken by KPMG over the controls system in place at the Local Pension Partnership Investment Ltd (LPPI). KPMG has formed an independent conclusion that the directors of LPPI have fairly described the investment management operations service as at 30 November 2021. Also, that control activities in place are suitably designed to achieve the control objectives.

### **Management's responses to our findings**

- 2.16 Each of the issues raised during the year has been discussed with the relevant service managers as well as with members of the council's Corporate Management Team. Action plans have been agreed and audit work during 2021/22 indicates that the plans agreed in previous years are largely being addressed, although some improvement work is still ongoing.
- 2.17 Periodically during the year, the Head of Internal Audit has sought and received management updates as to the progress of the implementation of outstanding management actions. This combined with the follow up audit assignments demonstrates that in general good progress is made across the council in implementing agreed management actions. It is also highlighted that there are a significant number of management actions that have been outstanding since they were agreed in 2018/19 and 2019/20. Since these were agreed the council has seen significant changes to the way systems are operated and how services are delivered. Therefore, there is currently uncertainty as to the number of management actions that may have been superseded due to the changes across the council. A wider review of these management actions is currently underway to establish the number that are still valid and require implementation. The results of which will be reported to this committee.

## **3 Key issues and themes**

- 3.1 The council has faced financial challenges since the onset of austerity measures in 2010. This has been exacerbated by two years of the Covid-19 pandemic, and, like all councils, we are facing financial pressures across the period of our medium-term financial strategy. Significant savings programmes and the improved funding for social care, has enable the council to make satisfactory progress in addressing the forecast financial shortfall over the strategy period. Continued work is required to ensure the council can achieve a financially sustainable position over the medium term. The council has a strong track record of delivery of previous savings plans, with some being overachieved and arrangements are in place to track delivery of financial savings and take corrective actions when required.
- 3.2 In 2018 Ofsted identified that there have been improvements in children's services and therefore they lifted its rating from "inadequate" to "requires improvement". Since then, there has been a continued positive direction of travel which is evidenced in a September 2021 Ofsted review of Special Educational Needs and Disability Services (SEND).
- 3.3 Despite the challenges facing managers across the council the Internal Audit Service has been welcomed and supported in undertaking our work. We have deferred work in some areas where necessary to minimise the impact on services at the frontline but, overall, we have had access to services in every directorate.
- 3.4 The assurance we have provided on the audit engagements we have completed has in the main been moderate assurance. This is a favourable, assurance opinion. Our conclusions where reports are still being drafted follow the same pattern. I have therefore been able to give moderate assurance overall.

## **4 Organisational independence**

- 4.1 The Internal Audit Service has access to and support from the council's Corporate Management Team and is able to operate independently within the organisation so is properly able to fulfil its responsibilities. In accordance with its charter the service remains independent of the council's other functions and, with the exception of its support to management in relation to counter fraud and investigatory work, no member of the Internal Audit Service has any executive or operational responsibilities.
- 4.2 The Internal Audit Service's work programme and priorities are determined in consultation with the Corporate Management Team, the council's senior managers and the Audit, Risk and Governance Committee, but remain decisions for the Head of Internal Audit. The Head of Internal Audit has direct access to and freedom to report in their own name and without fear or favour to all officers and members.
- 4.3 The Internal Audit Service has a stable and experienced Audit team, which has seen very little staff turnover in recent years. However, this year there has been one significant change within the team. After many years of dedicated service to Lancashire County Council Ruth Lowry, Head of Internal Audit, retired in January 2022. The new Head of Internal Audit was appointed in December 2021. To maintain continuity during this change of leadership there was a two-month handover period. This handover enabled a smooth transition of leadership of the Team.
- 4.4 During the year, there have been no matters arising which have impacted on the independence of the Internal Audit service and there have been no inappropriate scope or resource limitations on internal audit work.

## **5 Internal audit performance**

- 5.1 Within the year the service's establishment has slightly increased by one part time Senior Auditor (0.4fte). The service is currently fully staffed. The Council has completed a staff engagement survey across the whole council. This enabled all staff to share their thoughts and opinions constructively. Overall, the results for the Internal Audit service were largely positive. The results are being used to assist the service in self-reflection and introduce improvements as detailed in section 6 below.

### **Completion of the internal audit plan 2021/22**

- 5.2 As set out at paragraph 2.10 above, at this point we have provided assurance through 31 individual audit assignment reports as well as grant assurance work. The team has completed audit consultancy and support assignments throughout the year that have not resulted in assurance opinions. These include providing:
- Support and oversight of the implementation of the Oracle Fusion project. Fusion is a cloud-based IT solution which will replace Oracle R12, the current HR, Payroll, Finance and Procurement system.
  - Advice and support around the implementation of a case audit process within the Safeguarding Adults Service and Adult Social Care teams.
  - Support to the Quality Contracts and Safeguarding Adults Service to develop a quality & compliance review process for residential/nursing homes.
- 5.3 Two members of the team also supported the Care Navigation team for a six-week period on a full-time basis. This was to support the service in arranging hospital discharges during a spike in Covid-19 cases in November and December.

**Client satisfaction**

5.4 Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. This is an important process in terms of identifying how the audit was received by the service area. It is also an important means of identifying aspects of the audit process that can be improved

5.5 Our auditees have told us in every case that, overall, they were satisfied with the way we conducted our work with them. We also seek more detailed feedback in relation to our audit planning, the audit process and reporting, our behaviour, and our management and service to our auditees. Our auditees have provided positive feedback across all these areas. There were no common themes in the responses received that highlighted any particular areas for improvement.

5.6 A sample of comments received in response to the questionnaire is included below:

- *The Auditor was very professional and thorough. They took time to listen to explanations and seek further information when required. At all times I felt they really understood the work being done in the team.*
- *The Auditor's auditing technique was thorough yet efficient. Their manner polite and friendly and they kept us up to speed the whole way through (nothing was as surprise when we received the report). The report was comprehensive, accurate and very clear.*
- *The Auditors were very patient and understanding when I had to prioritise work and delay providing information in order to cover a period of sickness during the audit.*
- *The Auditor was really good and worked well with us during the audit period.*

**6 Quality assurance and improvement programme**

6.1 The Internal Audit Service has established and regularly reviews a quality assurance and improvement programme. PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessments or internal assessments by others with sufficient knowledge, and independent external review at least once every five years.

Type of review	Internal review		External review
	Ongoing	Periodic	At least 5-yearly
Frequency			
Audit assignment quality	✓		✓
Professional and operational framework		✓	✓

6.2 Following this framework, the Internal Audit Service's quality assurance and improvement programme consists of internal ongoing monitoring of audit assignment quality, periodic internal assessment of the professional and operational framework, and external review.

**External review**

6.3 The findings of the last external quality assessment undertaken by the Chartered Institute of Internal Auditors were reported to the committee in January 2018. This confirmed that the Internal Audit Service 'generally conforms' to the full range of standards set out in the International Professional Practice Framework, PSIAS and Local Government Application Note. There were no departures from these

arrangements in 2021/22. Another external review is due to be completed in 2022/23 the findings of which will be reported to this committee.

### **Internal review**

- 6.4 The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit assignment. The audit managers assess the quality of each audit concurrently as it progresses, and a post-audit file review process has been undertaken. These reviews indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors.
- 6.5 In addition to these periodic file reviews, the service's methodology includes a step which requires the Head of Internal Audit to read each report as it is finalised. This does not entail an additional detailed review and the auditors' reports remain theirs, using their own style and wording, but is intended to ensure that each assignment can be adequately understood and is properly communicated.

### **Areas for development**

- 6.6 As with many teams across the Council, the Covid-19 pandemic impacted significantly on the Internal Audit team over the last two years and the way in which it delivers its work. This year the Internal Audit team has returned to completing normal audit assignments after approximately a year of supporting other Council services in their responses to Covid-19. The return to completing normal audit assignments was aided by a move to remote auditing. This was initially challenging for the audit team. However, as the year has progressed productivity is increasing each quarter, and this is demonstrated by the increasing number of completed audits reported to each committee in 2021/22. Despite the challenges faced this is starting to prove to be a successful experience.
- 6.7 Across the wider Council, it appears likely that many teams will not go back to a predominantly office-based service when we finally emerge out of the pandemic. It is therefore very likely that the Internal Audit team will in future adopt a hybrid approach to work, with staff predominantly being home-based but going into the office as the requirements of the service dictate.
- 6.8 In response to these changes, some revised performance management and support arrangements have been put in place for the Internal Audit team. These changes are intended to help ensure quality and delivery of work, whilst also providing support to staff working remotely and to maintain a sense of 'team'.
- 6.9 These arrangements include:
- Allocating an annual plan of work to each auditor to manage and agree delivery timescales with the relevant service areas;
  - A greater focus on outcomes with each auditor identifying the audits they will aim to complete for each meeting of the Committee;
  - Brief daily team meetings to discuss progress on each piece of work and to allow the team to discuss issues and to support one another.
- 6.10 A minor restructure has been completed within the team. This has provided the team with additional resources of a part time Senior Auditor (0.40 fte). They will solely be focused on reviewing, monitoring, and reporting on the progress of the implementation of agreed management actions. The results of the follow up assignments will be reported to this committee.

- 6.11 The service has introduced a new report format that is designed to communicate the results of the audit engagements clearly and concisely to the relevant recipient of the report. This includes highlighting areas of good practice as well as any areas for improvement that are identified, along with the agreed management actions. Feedback from auditees who have received the new report format has been very positive. The new format has also enabled a new style of executive summary to be produced for this committee. These can be found at Appendices 'D' to 'P'. The executive summaries outline the key findings from each audit.
- 6.12 Additionally, the service will continue to reflect on its performance and seek to continually improve the service making further refinements to internal audit processes. Where appropriate we will seek to apply the principles of Lean Audit within our working practices.
- 6.13 Lean auditing refers to the application of 'lean' principles to the internal audit process. 'Lean' is about working in the most efficient and effective way. The focus is on ensuring that the whole process adds value to the customer by removing waste and focusing on excellence. This will aid the team in completing audits in the most effective way that delivers a service that is valued by the customer.



## **Scope, responsibilities and assurance**

### **Approach**

- C.1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit work encompasses all of the council's operations, resources and services including where they are provided by other organisations on its behalf.

### **Responsibilities of management and internal auditors**

- C.2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.
- C.3 However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.
- C.4 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- C.5 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing to ensure those controls were operating effectively for the period under review.

### **Basis of our assessment**

- C.6 My opinion on the adequacy of control arrangements is based upon the result of internal audit work undertaken and completed during the period in accordance with the plan approved by the Audit, Risk and Governance Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

### **Limitations to the scope of our work**

- C.7 Other than as set out in the audit plan for the year there have been no limitations to the scope of the audit work.

### **Limitations on the assurance that internal audit can provide**

- C.8 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Further, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.

C.9 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

### **Access to this report and responsibility to third parties**

C.10 This report has been prepared solely for Lancashire County Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit, Risk and Governance Committee and management of the council. It is not therefore intended to include every matter that came to our attention during each internal audit assignment.

C.11 This report may be made available to other parties, such as the external auditors. However, no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine the reliance placed on the work of the Internal Audit Service.



## Audit assurance and residual risks

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

**Substantial assurance:** the framework of control is adequately designed and/ or effectively operated.

**Moderate assurance:** the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout.

**Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.

**No assurance:** there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve its objectives.

## Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

**Extreme residual risk:** critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately.*

**High residual risk:** critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently.*

**Medium residual risk:** failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*

**Low residual risk:** matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*



# Internal Audit

# Value Added Tax

2021/22



Appendix D

## Overall assurance rating



**Substantial**

## Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	2

There is effective administration and accurate processing of Value Added Tax (VAT). The VAT team are experienced and qualified, and provide policy, guidance and support to council officers and school staff through the Intranet, Schools Portal and a dedicated advice service. Guidance reflects VAT rules but may be improved when reviewed and updated. Training has been on hold due to Covid-19, however, training is due to be restarted. Monthly compliance checks and reconciliations are completed, and VAT returns are accurate and submitted by the due date.

The partial exemption VAT position is regularly monitored and is within HMRC tolerances. VAT liability and rates are correctly input on the system and are up to date. Some user accesses to the invoice entry permission were no longer needed. Therefore, removal of these permissions would ensure adequate separation of duties further improving the control environment.

Agreed actions from the audit	Priority
The council will review, update and improve access to VAT guidance and information available to officers and school staff on the council's intranet and Schools Portal. Training should be developed and scheduled to support understanding and awareness of VAT rules and requirements.	
The invoice entry permission will be removed from the four accounts identified and consideration given to periodic review of the appropriateness of user accounts and permissions.	

## Background

The council's procedures for complying with Value Added Tax (VAT) legislation are audited annually. This audit was undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit has been conducted in conformance with the Public Sector Internal Audit Standards.

## Context

The council is required to submit monthly VAT returns to HM Revenue and Customs (HMRC) declaring invoices it has raised for goods or services supplied and VAT charged (output tax), and purchases made and the VAT incurred (input tax). As input tax exceeds output tax, the council receives repayments from HMRC. The council adheres to partial exemption rules which allow all input tax to be claimed subject to exempt outputs not exceeding 5% of total outputs. The council's VAT team administer the preparation and submission of VAT returns, provide assurance over council compliance with VAT rules, publish guidance and give advice to council officers and schools.

For the period April to September 2021 the council submitted VAT returns claiming VAT repayments totalling approximately £43m

## Previous audit

Our last audit report was issued in August 2019 (Ref: 2019-74). We gave substantial assurance and agreed two actions regarding provision of training and user access restrictions. These actions have not yet been fully implemented and we are restating them in this report. We did not audit VAT in 2020/21 due to the pandemic.

## Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
Policy, guidance and training	The VAT Team have appropriate qualifications and experience. Comprehensive policy, guidance and advice is accessible to council officers on the Intranet and to schools on the School's Portal, and the Team provide an advice service by email or phone and briefing notes to schools on temporary rate changes. Some guidance on both sites needs to be updated and some links do not work, and training has not been delivered to officers or schools since it was agreed as an action in our 2019 audit, although the pandemic contributed to this. The VAT Manager is planning to refresh guidance and restart training shortly.	●
Information Systems	The Oracle system calculates VAT correctly and VAT rates for accounts payable and accounts receivable conform to HMRC rates, including a temporary reduction for hospitality services. The correct VAT liability was applied to 98% of invoices tested, but two invoices for schools' services were incorrectly rated as exempt. We were told that an incorrect liability for this type of transaction had been uploaded to the system and was not input directly by officers, and we confirmed with Schools Finance that this would be corrected. The scale of this error makes no material difference to the council's partial exemption position. Four user accounts for invoice entry are no longer appropriate to the officers' roles and should be removed, as we reported in 2019.	●
VAT Liability	Monthly compliance checks are completed for accounts payable, accounts receivable and general ledger transactions, and are reviewed and approved by a senior officer. The VAT Team regularly monitor the council's partial exemption position and were calculating the position for 2020/21 at the time of audit, although a change to the partial exemption position is not expected. We confirmed that prior years are within the 5% HMRC partial exemption limit per year and average over a seven-year period.	●
VAT Return	VAT returns, control account and code reconciliation with the general ledger are completed monthly, approved by the VAT manager and submitted to HMRC before the due date, in line with the Team's key performance indicator. Compliance check queries are identified and carried through or satisfactorily resolved in the VAT return workings.	●



# Internal Audit

# Risk Management

2021/22



### Overall assurance rating



**Substantial**

### Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

The council's corporate risk management framework is operating effectively again, after the formal process was suspended. A revised framework was introduced in 2021 based on new directorate risk registers. These inform the Corporate Risk Register (CRR), which is reviewed and approved by Corporate Management Team (CMT) and the Audit, Risk and Governance Committee. Policy is embedded in the council's governance and decision-making processes and is supported by guidance and training.

### Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit covers the period April 2020 to December 2021 and has been conducted in conformance with the Public Sector Internal Audit Standards.

### Context

The formal risk management process was suspended in February 2020 for 18 months during the pandemic and was resumed with the publication of a 2021/22 Q2 CRR in October 2021. Risks were instead identified and managed through regular directorate situation reports to CMT. Established processes were resumed with the production of the 2021/22 Q2 CRR in October 2021.

### Previous audit

An internal audit of Risk Management was last carried out in January 2020. This resulted in a substantial assurance opinion being issued.

### Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
------------------	------------	------------



Policies, procedures, guidance and training	<p>The risk management framework is formalised in the Code of Corporate Governance, Risk Appetite Statement, a Statement of Commitment and risk management approach. The council's risk management framework adheres to the principles of ISO 31000:2018.</p> <p>Guidance for Members and officers is published on the Intranet but could benefit from being updated, which includes adding the contact details for the directorate risk champions to the risk management pages of the intranet.</p> <p>Directorate risk champions have been appointed. Training has been provided to help them support the risk management process. Further support could be provided to risk champions by issuing reminders regarding the tools available for managing risk including risk profiles and heat maps and the benefits they can provide.</p> <p>A short training video (vodcast) covering risk management responsibilities and processes is available for Members. Further benefits could be realised by making the vodcast available to key staff, including Risk Champions.</p>	●
Risks are assessed in line with the council's methodology	<p>The risk management framework is formalised in the Code of Corporate Governance, Risk Appetite Statement, a Statement of Commitment and risk management approach. The council's risk management framework adheres to the principles of ISO 31000:2018.</p> <p>Guidance for Members and officers is published on the Intranet but could benefit from being updated, which includes adding the contact details for the directorate risk champions to the risk management pages of the intranet.</p> <p>Directorate risk champions have been appointed. Training has been provided to help them support the risk management process. Further support could be provided to risk champions by issuing reminders regarding the tools available for managing risk including risk profiles and heat maps and the benefits they can provide.</p> <p>A short training video (vodcast) covering risk management responsibilities and processes is available for Members. Further benefits could be realised by making the vodcast available to key staff, including Risk Champions.</p>	●
Performance information	<p>The council's Constitution gives the Audit, Risk and Governance Committee responsibility to monitor the development and operation of the risk management framework and processes, and a general responsibility to provide independent oversight over its adequacy.</p> <p>The CMT oversees and monitors the operation of risk management arrangements.</p> <p>Production of risk registers resumed in quarter two 2021/22. This risk register primarily included risks associated with governance issues. CMT's review resulted in the inclusion of an additional risk relating to demand for client led services, with some opportunities that focus on strength-based working and environmental improvements. These risks were reported to the Accounts, Risk and Governance Committee.</p>	●



# Internal Audit

# Corporate Performance Management

2021/22



Appendix F

### Overall assurance rating



**Substantial**

### Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

Overall, the framework of controls is adequately designed and effectively operated. There is a Corporate Strategy approved by Full Council and performance indicators and other performance information is reported on a quarterly basis to the Cabinet Committee on Performance Improvement. Due to the pandemic some performance information could not be obtained and reported on but the control mechanisms continued to operate to monitor performance which could be reported.

### Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit covers the period April 21 to November 21 and has been conducted in conformance with the Public Sector Internal Audit Standards.

### Context

The Corporate Strategy was approved by Full Council in February 2019 which is the key document describing the council's aims and ambitions. To support the Corporate Strategy and the operational delivery of council services a set of Corporate Priorities for the period 2021-2025 were approved by Cabinet and the Full Council in October 2021. These priorities identify the focus of the council and highlight the areas of potential collaboration between the council, its partners and residents of Lancashire.

### Previous audit

An internal audit of Corporate Performance Monitoring was last carried out in April 2017. This resulted in a substantial assurance opinion being issued.

### Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
------------------	------------	------------

<p>Performance management framework</p>	<p>The Corporate Strategy was approved by Full Council in February 2019. It includes a set of performance indicators and other performance information to be reported on a quarterly basis to the Cabinet Committee on Performance Improvement (CCPI). Cabinet approved revised targets in February 2020. In October 2021 Full Council approved the Corporate Priorities for 2021-2025 to support the Corporate Strategy. Work has started to align the performance indicators with the corporate priorities.</p>	<p>●</p>
<p>Data collection</p>	<p>Some services provide authorised data for their performance indicators to Business Intelligence in order to report the performance to the Corporate Performance Board (CPB) and CCPI and in other cases Business Intelligence obtain the data themselves by accessing relevant systems. In one case Public Health provided a report directly to CCPI to report the relevant performance.</p>	<p>●</p>
<p>Reporting of performance</p>	<p>A timetable has been produced to ensure performance information is collated and presented to CCPI on time before the date of their meeting. This includes when information is to be requested from services, submitted to Business Intelligence, and reported to the CPB and the CCPI meetings. The CCPI report provides a colour coded snapshot of performance which indicates whether performance is meeting specified targets. Indicators which were not meeting targets had explanations and details of actions being taken to resolve the position.</p>	<p>●</p>



# Internal Audit

# Schools in Financial Difficulties

2021/22



## Overall assurance rating



**Substantial**

## Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

There is an effective framework in place with controls designed to mitigate the key risks that may prevent the council from providing effective support to schools regarding the development of financial strategies. These financial strategies are intended to reduce the risk of schools entering into a deficit position or to return a school to a surplus position.

## Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit covers the period April 2020 to March 2021 and has been conducted in conformance with the Public Sector Internal Audit Standards

## Context

The council assists schools' governing bodies by providing financial strategies to reduce the risk of schools entering into a deficit position or to return schools to a surplus position. In March 2021 the council placed its 568 schools into four financial categories:

1. Structural deficit - Four (0.7%) have a deficit that could be beyond recovery within school finances; the school may not be financially viable, and a strategic solution is required;
2. Significant deficit - Seven (1.7%) must make substantial organisational savings that need intensive intervention and focussed support to recover, and which may exceed the statutory three-year recovery timescale;
3. Financially vulnerable - 43 (7.6%) have low-level deficits but use significant reserves to balance their budgets;
4. Financially stable - 514 (90.5%) have no budget issues but there is continued monitoring of financial indicators to confirm their ongoing financial health.

The 2020/21 outturn position listed 30 schools in deficit, of which four have closed or are academized and 26 have a combined £5m deficit balance

## Previous audit

An internal audit of schools in financial difficulties has not previously been carried out.

## Scope of Audit

The scope of the audit was to conduct an initial review to identify the key risks and the controls in place to mitigate them. The audit was not intended to test how effectively these controls operate. The scope of the audit focused on the following areas detailed in the table below.



Area of Coverage	Commentary	Assessment
Policies and procedures	<p>The council publishes financial policy and guidance for schools annually in the Scheme for Financing Schools in Lancashire and in model financial regulations. Schools can adopt and adapt these to support effective, prudent financial management.</p> <p>The Schools Finance Services Team use agreed, documented criteria to identify schools in financial difficulties and those at risk, and to initiate support protocols.</p>	●
Available support	<p>The Schools Finance Services Team work collaboratively with schools and the council's schools finance advisers to monitor budgets and complete scheduled compliance testing to improve outcomes. Schools in, or forecast to move into, deficit must also agree a recovery plan. Schools' financial positions are monitored and the progress in the delivery of the action plan is reviewed.</p> <p>Measures to support schools in financial difficulties are reviewed and agreed annually by the Lancashire Schools Forum. These are administered by the council's School Improvement Challenge Board which comprises of officers from school improvement, finance, HR and governor services. Senior council managers and advisors attend schools' finance committees to provide oversight and to challenge plan delivery.</p>	●
Performance information	<p>Key performance information is regularly reported to senior managers and the Senior Leadership Team to support strategic and financial decision making.</p> <p>The Schools Forum review categorisation analysis reports at quarterly meetings, and annual returns are submitted to the Department for Education and Ofsted.</p>	●



# Internal Audit

## Children Missing from Home and Care

2021/22



Appendix H

## Overall assurance rating



**Substantial**

## Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

We can provide substantial assurance that the control framework is sufficient to mitigate the risks relating to the council's response to children missing from home and care. Established protocols are in place to be initiated when parents and carers report a missing child. These require the council and other partners to be notified, and system updates and information shared to inform the operational response. Procedures are in place to update case files on the council's Liquidlogic Children's System. This provides automatic alerts for children's social care regional offices and care workers. Processes are in place for Located children to be returned to existing or emergency placements and return interviews conducted.

## Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit has been conducted in conformance with the Public Sector Internal Audit Standards.

## Context

The council has a duty under the Department for Education's 'Statutory guidance on children who run away or go missing from home or care' (2014) to protect such children from the risk of serious harm. To support action to locate children the council's Missing from Home Team works with Lancashire Constabulary, neighbouring local authorities, parents and care home staff. The Children's Safeguarding Assurance Partnership (CSAP) provide oversight of activity carried out by partners including Lancashire Constabulary, the NHS, and Blackpool, Blackburn with Darwen and Lancashire authorities, including receiving and monitoring data on missing children.

While there are no exact figures for children who go missing from home, as not all are reported, in Lancashire in January 2021 191 missing from home and care episodes were reported in respect of 128 children, and in December 2021 271 episodes were reported for 189 children, an increase of 47%.

## Previous audit

An internal audit of Children Missing from Home and Care has not previously been completed.

## Scope of Audit

The purpose of this work was to provide assurance over whether the control framework is sufficiently robust to mitigate risks. We did not test how effectively these controls operate in practice. In this audit we have reviewed the adequacy of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
------------------	------------	------------

Collaborative working	<p>The CSAP website collates national and local policy and guidance for supporting children, including children who go missing.</p> <p>The council is a key stakeholder in a Pan-Lancashire Joint Protocol for missing children. This sets out shared principles and procedures to be applied by safeguarding agencies in local policy and guidance.</p>	●
Information and Guidance	<p>The council Missing from Home policy and procedures complies with statutory guidance. It is published along with supporting guidance and information. This provides parents and providers with guidance and contact details of the police, Children's Social Care and the voluntary sector if children are believed to be missing and at risk.</p>	●
Policies and procedures	<p>Established protocols are in place, to be initiated when parents and carers report a missing child. Council policy requires intervention meetings/ panels to be held regularly with the council and partner organisations. The Multi Agency Safeguarding Hub (MASH) has a role in analysing and providing an overview of cases, reviewing the appropriateness of placements and formulating strategies to minimise future risks and episodes</p>	●
Performance information	<p>Monthly missing from home performance reports are produced for senior managers and the Senior Leadership Team, to support strategic decision making. The performance report is a standing agenda item at CSAP's Conceptual Safeguarding Operational Group. The Missing from Home Team attend the meetings to inform partners, discuss themes and respond to queries.</p> <p>The corporate and service risk assessment identifies, manages and mitigates risks to achieving objectives and ad hoc returns are sent to the Department for Education on request to inform current themes and issues.</p>	●



# Internal Audit

## Loans from the Municipal Bonds Agency

2021/22



Appendix 1

## Overall assurance rating



**Substantial**

## Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

We can provide substantial assurance over the adequacy and effectiveness of the controls in place over the loans taken from UKMBA. The framework of control is adequately designed and effectively operated.

The Council's treasury management strategy details the borrowing options available, including from the UKMBA. Such borrowing only proceeds where the conditions detailed in the treasury management strategy are met and other borrowing options are deemed less attractive. Prior to processing loan applications to UKMBA, the reasons for borrowing were fully documented and supported by the Director of Investment, Director of Corporate Services, Director of Finance and Chief Executive, and approved by Cabinet. The loans are estimated to provide significant interest payment savings for the Council in comparison to the PWLB equivalent. Monies received from UKMBA are accurately accounted for in the General County Fund.

## Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit has been conducted in conformance with the Public Sector Internal Audit Standards.

## Context

The Council's treasury management strategy allows for financing via the UK Municipal Bond Agency (UKMBA) as an alternative source of funding to the Public Works Loan Board (PWLB).

The UKMBA is a local government funding agency that will sell municipal bonds on the capital markets, raising funds to lend to councils. The structure of these deals is such that the councils provide a guarantee of the payment obligations under the bonds and the corresponding documents for the issuance. Separately, UKMBA (as lender) enter into a loan agreement with a council (as borrower) on pricing terms which are substantially the same as the bonds.

As part of a strategy to refinance debt, to date the Council have agreed the following two loans with UKMBA:

- A £350m five-year loan in March 2020. Variable interest rates payable on this on specific dates linked to an index (Sterling Overnight Index Average – SONIA); and
- A £250m 40-year fixed rate loan in August 2020.

## Previous audit

An audit of the Loans from the Municipal Bonds Agency has not previously been completed.

## Scope of Audit



In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
Treasury management strategy	<p>In July 2014, Cabinet approved a decision to change the treasury management strategy to allow use of UKMBA as a borrowing option. This option has remained in the treasury management strategies reviewed and approved annually by Members since.</p> <p>The borrowing strategy and position of the Council was explained to Members to support the decision to refinance with the UKMBA in 2020 in reports from the Director of Investment, Director of Corporate Services, Director of Finance and Chief Executive.</p> <p>Cabinet received and approved two reports putting the case for bond issues in 2020 prior to the loans taking place. They set out the reasons for the loan in line with the treasury management strategy that requires criteria to be followed in relation to overall need, timing, market conditions and scale, financial and legal considerations and risks were also included.</p>	●
Fees and interest	<p>Both the loans are expected to deliver Signiant savings to the Council over the periods of the loans</p> <p>Over the five-year period of the variable rate loan of £350m, the Council is expected to pay approximately 1% less in interest rates than through PWLB. After fees, this will provide the Council with a potential saving of up to £23.3m in comparison to the PWLB equivalent.</p> <p>Over the 40-year period of £250m from UKMBA, the Council will be paying over 1% less in interest payments. After fees, this is expected to save the Council approximately £73m across the 40-year period in comparison to the PWLB equivalent.</p>	●
Receipt of funds	<p>The Director of Corporate Services and a representative of UKMBA had both signed confirmation documentation for both loans that set out the full terms and conditions of the deal. In particular the principal, repayment and upfront facility fee amounts, and interest rates applicable.</p> <p>£347,543,919.16 and £240,571,717 was received into the General County Fund in March and August 2020 from the UKMBA. These amounts reflected the principal amounts of £350m and £250m less the upfront facility fees for the arrangement of the loan.</p>	●



# Internal Audit

## Cyber Security: Baseline Technical Controls

2021/22



Appendix J

## Overall assurance rating



**moderate**

## Audit findings requiring action

Extreme	High	Medium	Low
0	0	5	0

The results of this review have enabled us to provide moderate assurance as to the effectiveness of the design and maturity of the technical elements of the council's cyber defence framework. The review will not, and cannot, provide opinion upon the effectiveness in the context of a forward-looking assurance as the cyber landscape is constantly evolving and no organisation can guarantee that it will not fall victim to an attack in the future. There are opportunities to strengthen the council's arrangements to provide a robust cyber control framework going forward.

The audit has identified five medium priority management actions to further improve the councils' cyber security arrangements. The details of these management actions and the specific controls that are in place have intentionally been excluded from this extract. Highlighting these could provide hackers and fraudsters with information about the council's security arrangements that may assist them in attacking and harming the council.

## Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit has been conducted in conformance with the Public Sector Internal Audit Standards. The audit fieldwork was completed in January 2021.

## Context

Within any organisation technology and data has become engrained within our day-to-day processes. Technology allows us to share data across organisational boundaries and further improve services and outcomes. This inter-connected, data driven, world however, also brings significant operational risk. The internet is also being used to perpetrate a wide range of crimes, all of which have substantial human and economic consequences including significant reputational damage. More and more often, organisations are being targeted for the data that they possess, to acquire it for profit or hold it to ransom, to disrupt services

In order to protect itself, an organisation needs to have a robust cyber security framework provisioned through a collection of tools, policies, security concepts, security safeguards, guidelines, risk management approaches, actions, training, best practices, assurance and technologies. This framework should provide a foundation from which to secure information systems and assets including connected computing devices, personnel, infrastructure, applications, services and the totality of transmitted and/or stored information in the cyber environment.

## Previous audit

This is the first review of cyber security since digital service returned to an in-house service.

## Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
<b>Perimeter protection</b>	<p>Moderate assurance can be provided as to the effectiveness of the controls in place to ensure that information, applications and computers within the organisation's internal networks are protected against unauthorised access. As well as disclosure from the internet, using boundary firewalls, internet gateways or equivalent network devices, with appropriate management of ports, protocols and services.</p> <p>Enhancements to the current arrangements have been identified and agreed to be implemented to further strengthen the perimeter protection controls.</p>	●
<b>Secure configuration</b>	<p>Moderate assurance can be provided as to the effectiveness of the controls in place to ensure that computers and network devices, including mobile devices, are configured to reduce the level of inherent vulnerabilities and provide only the services required to fulfil their role.</p> <p>Enhancements to the current arrangements have been identified and agreed to be implemented to further strengthen the configuration controls.</p>	●
<b>User access control</b>	<p>Moderate assurance can be provided as to the effectiveness of the controls in place to ensure that user accounts, particularly those with special access privileges (e.g. administrative accounts) are assigned only to authorised individuals. They are managed effectively and provide the minimum level of access to applications, computers and networks and such accounts are managed throughout their lifecycle.</p> <p>Enhancements to the current arrangements have been identified and agreed to be implemented to further strengthen user access control.</p>	●
<b>Malware protection</b>	<p>Moderate assurance can be provided as to the effectiveness of the controls in place to ensure that computers that are exposed to the internet are protected against malware infection through the use of malware protection software.</p> <p>Enhancements to the current arrangements have been identified and agreed to be implemented to further strengthen the controls to protect against malware.</p>	●
<b>Patch management</b>	<p>Moderate assurance can be provided as to the effectiveness of the controls in place to ensure that software running on computers and network devices is kept up-to-date and have the latest security patches installed.</p> <p>Enhancements to the current arrangements have been identified and agreed to be implemented to further strengthen the patch management processes.</p>	●



# Internal Audit Approved Mental Health Professional Service Standards

2021/22

### Overall assurance rating



**Moderate**

### Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	2

There are robust working arrangements and management support in place to assist Approved Mental Health Professionals (AMHP). This includes a wide range of policies and procedures associated with the AMHP role such as lone working; staff safety; working hours; and operational requirements. The service has accurately completed a self-assessment exercise against the National AMHP Service Standards using the Department of Health and Social Care evaluation, planning & mapping toolkit.

There is potential to make improvements to some areas these include, the formalisation of an action plan associated with the national AMHP service standards and incorporation into service policy, procedure and guidance. Enhancements to the wider service recruitment strategies could be made to encourage applications from underrepresented groups.

### Agreed actions from the audit

### Priority

An Action Plan, adapted from the self-assessment exercise toolkit previously completed by the service, will be introduced with assigned responsibilities and implementation dates included to be used for progress monitoring against national AMHP service standards.



Strategy and guidance documentation, specifically the LCC internal policy documents, Approved Mental Health Professional (AMHP) Service Strategy 2019-2021 and AMHP Service Operational Guidance, will be updated to incorporate the National AMHP Service Standards. These will have document owner assigned, review dates specified, and version control applied.

It is felt that the AMHP Service has a workforce reflective of the diversity of communities across the service area and mandatory AMHP training includes three sessions per year focussing on diversity, cultural differences / practices to be observed, and research on the impact of MHA in BAME communities.



Whilst AMHP Service managers are able to interrogate the Oracle HR system and obtain information on workforce diversity, it is not mandatory for workers to record diversity information.

However, consideration will be given as to how wider service recruitment strategies could be enhanced to encourage applications from underrepresented groups and be reflective of the diversity of communities across the service area.

The Wellbeing Action Plans that are in place with the AMHP Service will be reviewed and updated.





This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit covers the period December 2020 to December 2021 and has been conducted in conformance with the Public Sector Internal Audit Standards.

### Context

The National Workforce Plan for AMHPs describes the role of the AMHP and the current national standards, regulations, research and developments affecting the role; looks at the employment, recruitment and retention of AMHPs; and contains the AMHP service standards, which are a key part of the workforce plan and will underpin the future development of the AMHP role.

LCC AMHP Service carried out a self-assessment exercise against the National AMHP Service Standards using the DHSC Evaluation, Planning & Mapping Toolkit. The findings were collated, and the 'Final' version was issued by the Senior Service Manager on 15/12/2020.



### Previous audit

An Audit of the Approved Mental Health Professional Service Standards has not previously been completed.

### Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
Governance arrangements	<p>The AMHP Service has completed a self-assessment exercise against the standards to evaluate the extent to which the Authority is meeting each standard. The final document has been utilised as a high level' Action Plan.</p> <p>Robust working arrangements and management support are in place to assist AMHP's. There are a wide range of strategic and operational guidance available regarding compliance with the national workforce plan. The national service standards had not yet been fully incorporated into policy, procedure and guidance.</p> <p>Recruitment strategies have been revised to allow for additional posts to be created in Mental Health Teams. Further enhancements to the wider recruitment strategies could be made to encourage applications from underrepresented groups.</p> <p>Regular audits of records and other performance monitoring systems are completed. Monthly performance reports which provide an overview of quality and performance are produced for Senior Service Managers.</p>	●
Collaborative working	<p>The AMHP service works with key partner agencies. They provide partner agencies with feedback and updates from national and regional meetings; and the delivery of assigned actions in respect of process improvements and training.</p> <p>AMHP staff and managers are members of, and attend, a range of local, regional and national AMHP forums. Relevant information, practice updates and best practice are shared with the service through the County AMHP Meetings,</p> <p>Monthly activity data and trend analysis are produced and submitted to senior management and also routinely shared with partner agencies where relevant.</p> <p>The AMHP service is accessible to, and regularly interacts with and provides information to other key specialists, teams, partner agencies and non-professionals via information and links available on the Authority's internet and intranet pages.</p>	●

<p>The monitoring and support of AMHP's working arrangements</p>	<p>There is an established training and supervision framework in place for AMHP practitioners. Professional training is also offered to all staff working in Adult Mental Health who are interested in attaining the AMHP qualification. Both training and supervision is monitored by Business Support and managers.</p> <p>Guidance and good practice briefings are regularly issued to AMHP staff. These briefings provide details of any process updates and reminders, guidance changes and good practice identified.</p> <p>A robust internal meeting structure is in place, where issues including general guidance, updates and process changes are discussed.</p>	
<p>Wellbeing</p>	<p>There is a lead 'Wellbeing Champion' and Wellbeing Champions within each team of the AMHP Service. Information and messages of relevance to the AMHP service focussing on wellbeing and resilience are regularly issued to the teams.</p> <p>Protocols are in place to ensure debrief sessions are available to AMHPs following difficult cases or high impact events and that peer support is encouraged between AMHPs.</p> <p>Wellbeing Action Plans are in place for the AMHP Service and information, accessible to all staff, is held in the local network folders, although the service has recognised that an annual review of the action plans is required.</p>	

# Internal Audit

# Children's Safeguarding Practice Reviews

2021/22



### Overall assurance rating



**Moderate**

### Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	3

Significant progress has been made by Children's Safeguarding Assurance Partnership (CSAP) to address issues reported in our last audit, where limited assurance was provided over the adequacy of the control framework.

Guidance on new practice and processes, including rapid review, has been published. Lancashire County Council are aware of their responsibilities and this is reflected in the Children's Social Care Procedures Manual (Tri.X). A CSAP Business Support Unit manages the review process and ensures compliance with guidance. Strategic and operational action is being taken to address delays in a significant number of serious case reviews. A new case management system has been purchased to support further improvement. Contracts are in place for independent reviewers, although a formal vetting and performance review process is still required.

### Agreed actions from the audit

### Priority

The case management system will be used to retain information supporting all key decisions, such as completion of actions from practice reviews.



The development of a framework of pre-approved independent reviewers will be progressed. This should be supported by consistently applied vetting checks, including professional qualifications, experience and previous employment. Checks and outcomes will be fully documented.



Performance criteria should be developed and documented, based on specifications in the independent reviewers' contract, and used to assess reviewers' performance in all cases. Outcomes of assessments will be recorded and any concerns about performance will be addressed with the reviewers.



As required in the statutory guidance the National Panel will be informed of cases that are not expected to meet the six-month publication deadline, including a narrative detailing the reasons for the delay.



Submission of this information will be supported by the QES case management and reporting system which has the functionality to flag key dates.

## Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit covers the period Sept 2021 to December 2021 and has been conducted in conformance with the Public Sector Internal Audit Standards.

## Context

The Children and Social Work Act 2017 introduced a new legal framework for local safeguarding arrangements for children. Responsibility for learning lessons from serious child safeguarding incidents now rests with a national, independent Children's Safeguarding Practice Review (CSPR) Panel and with a local CSAP. The CSAP coordinates Lancashire's response to serious incidents through the three safeguarding partners:

- Lancashire County Council, Blackpool Council and Blackburn with Darwen Borough Council;
- Lancashire Constabulary; and
- The eight local clinical commissioning groups (CCGs).

All serious child safeguarding incidents must be reported immediately to the CSPR Panel by the local authority. Rapid reviews are held by the three safeguarding partners to determine whether to commission a local practice review, recommend a national review or that no review is necessary.

## Previous audit

An internal audit of CSPR's was last carried out in April 2020. This resulted in a limited assurance opinion being issued

## Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
Governance Arrangements	<p>A flowchart and guidance on the revised rapid review process complies with statutory guidance and a Practice Review Business Group has been established. The flowchart and Group terms of reference were considered by the Steering Group and ratified by the Executive Board, although this is not recorded in minutes.</p> <p>The Business Group feedback key findings and progress on case reviews to the Tactical Groups and they plan to report to the Board on a six-monthly basis. The Independent Scrutineer will review and report on the effectiveness of practice annually.</p>	●
Rapid Review Meetings	<p>At the time of our audit only one revised rapid review meeting had been held. The review has been managed by the Business Support Unit and complied with the flowchart and guidance. A rapid review proforma was completed, verified by the safeguarding partners and submitted by the National Panel's deadline.</p>	●

Tracker and Panel Reports	<p>A comprehensive tracker which complies with data legislation is maintained, recording progress of serious case reviews and practice reviews, and is reviewed by the Business Support Group. There are a significant number of outstanding serious case reviews yet to be published or stepped down and the Business Support Unit are working to address this.</p> <p>There is active involvement from safeguarding partners to produce panel reports. However, the statutory six-month deadline for publishing is not being met, mainly due to ongoing criminal investigations. The National Panel were not notified of these delays, contrary to the guidance. Going forward, practice reviews should be carried out more promptly due to the different report expectations and the proactive management of cases by the Business Support Unit.</p>	●
Council Arrangements	<p>Practice review guidance has been updated on Tri.X and a briefing note shared with the Children's Social Care Directorate highlighting the changes, although we were unable to obtain evidence of when this was shared. The council have followed the agreed process for the rapid reviews tested. The council are addressing actions raised and reporting back to the Partnership.</p> <p>Evidence of completion of actions from a learning log for a recent practice review by the council had not been retained.</p>	●
Independent Reviewer	<p>Currently, there is no formal process for vetting independent reviewers, although informal checks are carried out. The Business Support Unit plan to establish a pool of vetted reviewers to improve the transparency and efficiency of the selection process.</p> <p>Reviewers have signed contracts which include remuneration details and expected outcomes. Invoices are validated and performance is assessed informally, but there is no formal performance process.</p>	●
Action Plan and Performance Management	<p>The Business Unit are addressing limited progress made on previous action plans, supported by a new QES case management and reporting system which they are currently agreeing a go live date. The system will also support performance management and retention of key documents.</p>	●

# Internal Audit

## Accounts Payable Central Controls

2021/22



Appendix M

### Overall assurance rating



**moderate**

### Audit findings requiring action

Extreme	High	Medium	Low
0	0	4	2

Overall, we can provide moderate assurance that the controls operating to raise and authorise orders and process and pay invoices are adequately designed and operating effectively. We have raised a number of actions to address the need for improvement.

Requisitions are approved within the financial approval limits, although departures from these limits need a clearer approval process. Prior to payment, invoices are matched to requisitions and receipts and those over £50,000 are checked. Service managers approve invoices by email, but no list of approvers is maintained. Duplicate payments are investigated and reported to services, although responses are not monitored. We are satisfied with anti-fraud controls in place, but duplicate payment software functionality will be reviewed to support additional monitoring.

The Head of Corporate Finance and Exchequer Services is currently revising accounts payable policy following a service restructure. Revisions will focus on clarifying roles and responsibilities across the council and strengthening controls in areas such as retrospective orders, payments without invoice, goods receipting and self-approval limits. We strongly support this approach and will consider and comment on the proposed control framework with a view to seeing its implementation in 2022/23.

### Agreed actions from the audit

### Priority

The need for additional controls will be considered to provide assurance over the approval and batching of manual invoices, including any need to check email approvals.	
The Procurement Service will reconsider the need to monitor the incidence of retrospective orders with a view to taking action to reduce their number.	
Accounts Payable will retain a record of duplicate payments reported to originating officers with a request to reverse the duplication and will monitor their outcome. Oracle will be updated to confirm this request and supporting documentation will be retained.	
The Accounts Payable service will review the functionality of the Fiscal Technologies software to establish what data it can produce to support additional monitoring of fraud risk. Any additional monitoring will be supported by exception reports for investigation.	
The Procurement service will make Intranet guidance and tutorial videos more easily accessible, for example by adding to the common search terms to the Intranet A to Z search function.	
Procurement will consider options to promote guidance on changing bank account details for officers submitting PAYEE change forms. These could include linking guidance available directly on the PAYEE request form.	



## Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit covers the period April to August 2021 and has been conducted in conformance with the Public Sector Internal Audit Standards.

## Context

The council uses the Oracle system to process invoices and payments. Users are required to raise and approve requisitions for expenditure wherever possible. Exchequer Services match invoices to approved requisitions and process them for payment. Non-purchase order invoices are manually batched and authorised before Exchequer Service process payments. Non-invoice payments are made using the PRO system

## Previous audit

An internal audit of Accounts Payable – Invoice and PRO payments was last carried out in March 2020. This resulted in a substantial assurance opinion being issued.

## Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
Authorisation and approval	<p>Invoices are paid once a requisition has been raised and receipt has been recorded, and that requisitions match invoice values within set tolerances. Requisitions are self-approved or approved by a second officer with appropriate permissions depending on invoice value, and by the Procure to Pay team for non-catalogue items. Some self-approval limits exceed guidance due to the officer's role, but an approval process for these is not recorded. Oracle holds invoices over £50,000 overnight, and these are verified for approval the following day.</p> <p>PRO payments are authorised by line managers and manual invoices are raised in line with a defined exceptions list. Approval checks are no longer undertaken as an approver signatory list is no longer maintained. Interface system files are uploaded onto Oracle for payment and reconciled to source data. Payments are made promptly. Changes to bank accounts on iSupplier are processed by the Procurement Information Management (PIM) team on receipt of evidence, and the process is documented on Oracle Financials and the Intranet. Retrospective orders are noted on Oracle in a mandatory field following a request for proposal but are not monitored. Duplicate payment runs are carried out on proprietary software and identified cases are investigated and referred to Services for recovery action, though responses are not monitored, and evidence of referral is not consistently retained.</p>	●
Guidance and training	<p>E-Learning must be undertaken by all staff needing system access. PRO payments are appropriately processed through the system, supported by documentation and approval from managers. Access to requisition and receipting guidance and training, which is not easily accessible on the Intranet using common search terms. This has not yet been implemented.</p>	●
Counter fraud	<p>Overall, the existing framework provides a proportionate level of control over fraud risks. Some are not currently monitored due to the lack of data analytics, Therefore, a further review of the functionality of the Fiscal Technologies software to establish what data it can produce to support additional monitoring of fraud risk should reduce these risks further.</p>	●

Prompt Payment

The average length of time for payment was 18 days. Invoices set for '30-day payment' terms had an average payment time of 22 days. However, for two invoices payment took longer than 30 days after receipting

In some cases, the time to pay suppliers breached payment supplier payment terms and in one case a receipt was raised before goods or services were received. Fraud risk areas are effectively controlled, and lower-level risks have been accepted, but consideration will be given to making better use of the functionality of duplicate payments software.



# Internal Audit

## Schools' Financial Balances on Oracle

2021/22



Appendix N

## Overall assurance rating



**Moderate**

## Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

Overall moderate assurance can be provided that schools' end-year financial balances are correctly recorded on the council's Oracle financial system. Finance officers have been unable to determine all the reasons for an imbalance between Oracle and Saffron balances on the Planned Scheme, despite thorough investigation. However, action has now been taken to rectify the imbalance and to help ensure the problem does not reoccur in the future therefore no recommendations have been made in this report.

## Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit covers the period April 2021 to December 2021 and has been conducted in conformance with the Public Sector Internal Audit Standards.

## Context

The council's Scheme for Financing Schools in Lancashire requires schools to submit information on their financial balance at the year-end. They may use whatever financial software they wish to manage their accounts, but most Lancashire schools use SIMS FMS6.

The School Catering Team offer schools two kitchen repair and maintenance options:

- Reactive Scheme - schools pay into a pooled fund which they call on as needs arise, but they cannot draw from the pool on leaving the scheme.
- Planned Scheme – a school pays monthly and/ or in lump sums into its own budget and is repaid any credit balances on leaving the scheme.

Over a number of years an imbalance of over £300k had accrued between Planned Scheme balances on Oracle and Saffron at the end of 2019/20 financial year.



## Previous audit

An internal audit of schools' balances on Oracle has not previously been carried out.

## Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
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<p>End-year financial balances</p>	<p>There has been an imbalance for some years between Planned Scheme balances on Oracle and the school catering system, Saffron. At the end of the 2019/20 financial year, credit balances of £363k and £723k were recorded on Oracle and Saffron respectively. Investigation by teams in Financial Management (Operational) and Financial Management (Development and Schools) identified several likely causes.</p> <p>A journal adjustment has been made to correct the errors. Planned Scheme balances are now accurately stated in Oracle and detailed records of balances for each school are being maintained to help ensure the problem does not reoccur.</p>	
<p>resolve the imbalance</p>	<p>The plan to resolve the discrepancy between the Oracle and Saffron systems was appropriately approved and has been implemented as intended. We confirmed that the schools' kitchen repair and maintenance budgets on Oracle now match those on Saffron.</p>	



# Internal Audit Recovery of Pension Overpayments

2021/22



**Overall assurance rating**



**Moderate**

**Audit findings requiring action**

Extreme	High	Medium	Low
0	2	1	0

The controls for the recovery of pension overpayments are adequately designed and effectively operated. Overpayments are generally identified promptly, and the cause of the overpayment is investigated. Since the completion of the Lancashire County Pension Fund's (LCPF) last audit there has been an improvement in the coordination and communication between LCPF and the Lancashire Pension Partnership Administration (LPPA). This includes the agreement of a debt strategy.

There is potential to make improvements to the recovery process. The management of overpayment cases is not always completed on a timely basis. Sometimes information is incorrectly input on the pensions administration system 'Altair'. Although, this had already been identified by the service as an issue therefore actions to address this have commenced. It is also expected that a new case management system 'Universal Pensions Management' should also deliver improvements. There is currently a significant balance on the overpayments balance sheet control account. A contributory factor to this high balance is information being incorrectly input and the lack of monthly reconciliations, which could help identify errors.

**Agreed actions from the audit**

**Priority**

Following the implementation of the new case management system 'Universal Pensions Management' in September 2022 LCPF and LPPA will work together to further develop the documented LPPA overpayment process. This will include clarifying their roles and responsibilities and will also address the below:



- Timeliness of key tasks.
- The process of coding transactions to the ledger.
- Checkpoints will be introduced at certain points to ensure blockages are being managed.

An exercise will be carried out by LPPA and LCPF to review the pensions accounts receivable balance sheet code to determine what action needs to be taken to address the unreconciled transactions.



The Balance Sheet control account will be reconciled monthly by the Pension Fund Accountant to ensure errors are identified and resolved with LPPA promptly.





## Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit Risk & Governance Committee. The audit covers the period December 2021 to January 2022 and has been conducted in conformance with the Public Sector Internal Audit Standards.

## Context

LPPA has responsibility for mitigating and identifying pension overpayments. These overpayments are recovered from a dependant's pensions, or in some cases they raise and issue invoices. The main reason for pension overpayments is that they continue when a pensioner passes away or when a child reaches maturity and is no longer eligible. They can also happen if a pensioner returns to employment or simply as a result of human error, such as the transposition of figures input to the system. As of November 2021, there is debt of £183,676 which relates to pension overpayments to individuals. On average, around 52,000 pensioners were paid each month during 2020/21.

## Previous audit

We have not previously tested this area within LPPA.

## Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
Policy and Debt Strategies	Since the completion of the LCPF audit a debt strategy has been developed by the LCPF and agreed with LPPA. LPPA have developed 'recovery of overpayments' process notes, however, they need to be further developed to ensure they are complete and comprehensive procedure notes.	●
Timeliness of Raising of Invoices	On the whole overpayments are identified promptly, however, there is often a delay in the raising of invoices. This is mainly due to difficulties in obtaining key information, although the Bereavement Team are often not proactive in resolving overpayments.  LPPA have already introduced additional management controls and the introduction of the new case management system 'Universal Pensions Management' should assist with this. It is acknowledged that there has been high staff turnover within the Team and high workload pressures due to the Pandemic.	●
Overpayments Balance Sheet Control Account	The control account for overpayments has a significant balance of £305,964 and has not been reconciled since March 2021, and prior to this it was reconciled sporadically. The unreconciled invoices and Altair feeder files are mainly due to the incorrect raising of invoices and input on Altair.	●

Dialogue between LPPA and LCPF

Monthly catch-up meetings between the LPPA Bereavement Team and LCPF were introduced in December 2021. This is in addition to ad hoc meetings held when required to address specific issues. LCPF receive overpayment statistics as part of the risk and compliance reports.



# Internal Audit

# Capital Strategy

2021/22



Appendix P

## Overall assurance rating



**Substantial**

## Audit findings requiring action

Extreme	High	Medium	Low
0	0	0	0

Overall substantial assurance can be provided over the adequacy and effectiveness of the high-level controls to support delivery of the Council's capital strategy. The framework of control is adequately designed and effectively operated. The Council annually approves a capital strategy to cover a 20-year period, the latest being for 2021-41. The strategy complies with the requirements of CIPFA's Prudential Code and details how the council will prioritise, fund, and monitor the projects that make up the rolling three-year capital programme.

The role of the Capital Board is key to ensuring the strategy is followed in respect of progressing the capital programme, scrutinising new scheme proposals prior to Cabinet, and taking action regarding funding and other project issues. Cabinet and the Heads of Service Scheme of Delegation provide the means by which decisions in these areas are formally approved in line with financial regulations.

## Background

This audit has been undertaken in accordance with the 2021/22 Internal Audit Plan as approved by the Audit & Governance Committee. The audit covers the period April 2021 to December 2021 and has been conducted in conformance with the Public Sector Internal Audit Standards.

## Context

It is a requirement of the Chartered Institute of Public Finance and Accountancy (CIPFA)'s Treasury Management Code of Practice and the Prudential Code that authorities have in place a long-term capital strategy.

A capital strategy covering a 20-year period is presented to Full Council on an annual basis for approval. It is a key document that provides a framework within which a rolling three-year capital programme is produced in line with the corporate aims and principles of the Council.

## Previous audit

An internal audit of the Capital programme - Commissioning, design monitoring and accounting, was last carried out in June 2019. This resulted in a moderate assurance opinion being issued.

## Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
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Prudential Code	<p>As per the requirements of CIPFAs Prudential Code, the Full Council approves a capital strategy covering a 20 year period on an annual basis. The latest strategy for 2021-41 was approved by Members at the Full Council meeting on 11 February 2021.</p> <p>The strategy provides a framework for the production of a rolling three year capital programme that includes detail on prioritising capital projects in line with corporate objectives, funding sources, investment decisions, performance monitoring, stewardship of the asset base, and how the strategy links to the Council's other strategies such as the Medium Term Financial Strategy, treasury management and prudential indicators.</p> <p>Full Council approve a three-year capital programme annually that details the delivery programme by service area block. The current programme was approved by members at the Full Council meeting on 11 February 2021.</p>	●
Progress Reporting	<p>Analysis of the minutes of Cabinet meetings that have taken place in 2021 confirmed that Members receive and consider a progress report on the delivery of the capital programme at least quarterly. The report details the approved delivery programme for the financial year by service area block, variances (slippage), risks, and a narrative on the latest position and any funding or delay issues. Cabinet also received detailed reports on proposed new schemes for their scrutiny and approval.</p> <p>Analysis of the minutes of the Capital Board confirmed their role as overseers of the capital programme. They consider new schemes prior to Cabinet, and receive updates on existing scheme progress, funding and other project issues requiring action by an assigned Board member.</p>	●
Corporate objectives	<p>Our work confirmed for one capital project that the Capital Board was presented with a report proposing the works from the Head of Asset Management. A link to the Council's corporate objectives was demonstrated in the report. The project was subsequently approved via the scheme of delegation through the Works to Operational Premises programme, and then added to the Project and Programme Management System (PPMS) for the works to be managed.</p>	●



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

Meeting to be held on Monday, 25 April 2022

Electoral Division affected: (All Divisions);
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## **Internal Audit Annual Plan 2022/23**

(Appendices 'A' and 'B' refer)

Contact for further information:

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andrew.dalecki@lancashire.gov.uk

### **Executive Summary**

This report explains the approach to establishing the Internal Audit Plan for 2022/23 and the work proposed that will support the Head of Internal Audit's overall opinion for the year on the council's framework of governance, risk management and control. Appendix 'A' sets out the audit planning process, and Appendix 'B' sets out the Internal Audit Strategy for 2022/23 which supports the Audit plan.

### **Recommendation**

The committee is asked to consider and approve the Internal Audit Plan 2022/23, as set out at Appendix 'A'.

### **Background and Advice**

Appendix 'A' sets out the background and context to this report.

### **Consultations**

The work set out in this strategic plan has been discussed with members of the Corporate Management Team, and with Directors and Heads of Service across the organisation.

### **Implications:**

N/A

### **Risk management**

This report supports the Audit, Risk and Governance Committee in undertaking its role, which includes providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



## Internal Audit Plan 2022/23

### 1. Introduction

- 1.1. This report sets out the internal audit plan for 2022/23. The Audit, Risk and Governance Committee is asked to consider and approve it under the committee's terms of reference.
- 1.2. The Audit Plan for 2022/23 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector. In accordance with PSIAS, the mission of internal audit is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.
- 1.3. The PSIAS require that the Internal Audit Service is delivered and developed in accordance with the Internal Audit Charter. The Internal Audit Charter provides the functional and organisational framework in which Internal Audit operates to best serve Lancashire County Council and to meet its professional obligations under the PSIAS.
- 1.4. The Internal Audit Service aims to achieve the core principles set out by the Chartered Institute of Internal Auditors and reiterated in PSIAS, which are that the service:
  - Demonstrates integrity
  - Demonstrates competence and due professional care
  - Is objective and free from undue influence (independent)
  - Aligns with the strategies, objectives, and risks of the organisation
  - Is appropriately positioned and adequately resourced
  - Demonstrates quality and continuous improvement
  - Communicates effectively
  - Provides risk-based assurance
  - Is insightful, proactive, and future-focused
  - Promotes organisational improvement

### 2. The purpose of the audit plan

- 2.1. The council is responsible for a wide range of services across the county, and it is expected that the council's members and senior management are aware both of the risks to achieving their service objectives and the risks inherent in their work. Each of these risks should be managed by controls designed to reduce it to a corporately acceptable level, and which operate effectively and consistently in practice. The Chief Executive, Audit, Risk and Governance Committee, and ultimately the council, need assurance that these controls are adequately designed and operating effectively. At the end of the financial year the Chief Executive and the Leader will jointly sign an annual governance statement that is published with the council's financial statements.
- 2.2. The Head of Internal Audit is required by professional standards to provide an opinion addressing the council's frameworks of governance, risk management and control and thereby to provide assurance that the risks to the council's objectives are being adequately and effectively controlled. The Audit, Risk and Governance Committee is required by its terms of reference both to consider the Head of Internal Audit's annual report and opinion and to review the council's annual governance statement. The committee should therefore consider and approve an internal audit plan designed to provide the assurance that the council, committee, Leader and Chief Executive require.
- 2.3. Because the overall opinion covers a twelve-month period, the evidence to support it must relate to the controls in operation for that period. The plan therefore chiefly addresses work for just one year, but projections may be made into audit

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requirements for future years. The work in any annual plan will rarely be fully complete at the end of the year but will be sufficient to inform the council's annual governance statement shortly after the year end.

### 3. Obtaining the evidence to support an overall opinion for 2022/23

3.1. An internal audit plan designed to provide the evidence necessary to support an opinion on governance, risk management and control should arguably encompass the following:

- Coverage of the key components of each part of the opinion: aspects of the council's governance; risk management; and control.
- Sufficient coverage of controls across the council's operations as a whole, so that a fair assessment may be made across the organisation.
- Coverage of the controls that serve to mitigate the council's most significant risks to an acceptable level, and particularly those that operate most widely across the council.
- Assessment of the actions being taken to develop improved controls in the areas of greatest unmitigated risk.

3.2. It will therefore be necessary as a minimum to audit aspects of the council's governance and risk management processes, as well as a range of control processes. However, information will also be available from less formal sources than planned audit engagements and this will also inform the overall opinion.

3.3. The council's governance, risk management and control framework is shown on the diagram below. The internal audit plan is designed to address, proportionately, the coverage required across this controls framework for the whole organisation. It addresses each of the areas of the overall opinion, each of the areas of control set out in the control framework, and each of the major areas of service delivery. A number of individual audits address some common themes, including contract monitoring, safeguarding, health and safety, and improvement plans that may also inform a more corporate view. The plan also includes work to follow up the action plans agreed by managers as a result of audit work over previous years.

A framework for governance, risk management and control						
<b>Governance and democratic oversight</b>						
Corporate governance		Decision-making		Oversight and scrutiny		Policy setting
<b>Business effectiveness</b>						
Risk management	Performance management	Organisational design	Financial governance and planning		Working in partnership	
<b>Service delivery</b>						
Growth, Environment & Transport		Education & Children's Services		Adult Services and Health & Wellbeing		Resources
<b>Service support</b>						
Legal services	Skills, learning & development	Core ICT systems	Property management	Health & safety	Programme management	Customer access
<b>Business processes</b>						
Financial systems & processes		Procurement		Facilities management		Human resources
Information management		Contract monitoring & management		Investment		Payroll processing
Business continuity						ICT systems

3.4. A detailed list of each audit in the plan is provided at section nine below and sets out how they fit into this framework. It should be noted that the plan will need to be a

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flexible plan and will almost certainly be subject to change during the year as the council's priorities alter and as the work set out here in outline is scoped in more detail. The committee will be informed of any significant changes as progress is reported during the year.

- 3.5. The Internal Audit Service has appointed an external provider to undertake a programme of specialist ICT audit work for the council. The plan of specialist ICT audit work for 2022/23 is included in the plan set out at section nine below.

#### 4. The context of the audit work for the year

- 4.1. The annual planning process involves consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual services and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts will continue to be made to identify, and where possible, rely upon, other sources of assurance available.

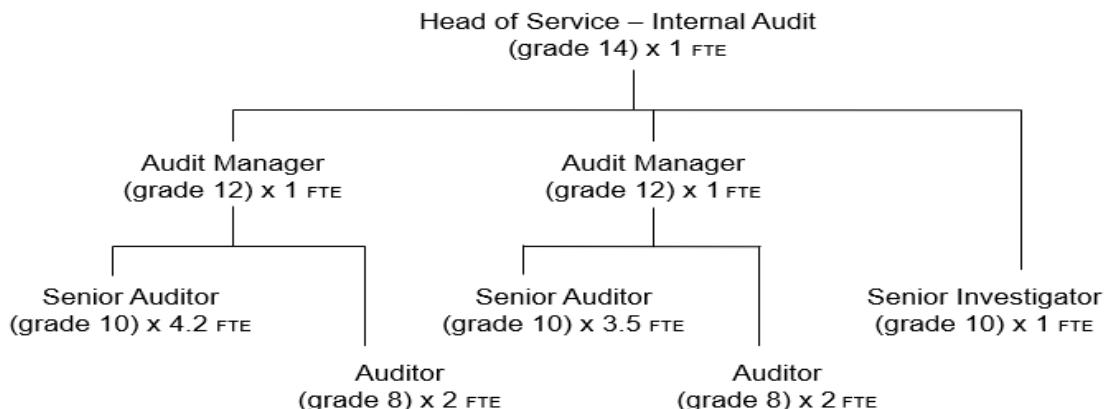
#### 5. The assurance we will provide

- 5.1. The assurance we will provide falls into four categories: substantial, moderate, limited and no assurance.
- Substantial assurance: the framework of control is adequately designed and / or effectively operated overall.
  - Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.
  - Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.
  - No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

#### 6. Internal Audit Service resources

- 6.1. Resource requirements are reviewed each year as part of the audit planning process. The current establishment for the audit team enables sufficient resource to deliver the risk-based plan. The service employs 17 staff in the structure which equates to 15.7 full-time equivalent (FTE) as set out below:

#### Lancashire County Council: Internal Audit Service



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- 6.2. The Internal Audit Service also provides an out-sourced internal audit function to the Office of the Police and Crime Commissioner and Lancashire Constabulary, Lancashire Fire and Rescue Service and Rossendale Borough Council. This work accounts for approximately 2.4 FTE staff but is undertaken by individuals across the service.

## **7. Funding and grant certification work**

- 7.1. The Internal Audit Service is required under the funding requirements of certain central government departments to certify certain aspects of the way funding has been spent.
- 7.2. The Department for Levelling Up, Housing and Communities requires the Internal Audit Service to test funding claims submitted by the council's Supporting Families Programme and we work with the Children and Family Wellbeing Service to process the council's funding claims under this programme.
- 7.3. We are also aware of the need to certify funding claims in relation to capital improvements to the county's highways and various strands of economic development. However, although we seek to understand in advance what funding may be subject to such certification, new requirements often emerge during the year and these will be accommodated.

## **8. The Internal Audit Service's responsibilities in relation to fraud and investigations**

- 8.1. In addition to our audit work, the Internal Audit Service provides a dedicated resource to support the council's management team in managing the risk of fraud. It provides a small investigatory service (one senior investigator) to respond to instances of suspected fraud or impropriety, and also undertakes proactive work to identify and pursue indications of potentially fraudulent activity.
- 8.2. There are some synergies in the skills required of both internal audit and investigations work, and the information arising around the investigation of allegations of fraud or impropriety may also indicate potential lapses in controls or of the culture of the organisation which are of interest to the Internal Audit Service.

## **9. Internal Audit Plan 2022/23**

- 9.1. The work set out in the table below is intended to obtain the evidence required to support an overall opinion on the council's governance, risk management, and control processes for 2022/23. Individual elements within the plan may be amended but, taken as a whole, the resulting plan is designed to address the requirement for an overall opinion as set out in the Internal Audit Strategy for 2022/23, as detailed in Appendix B.

Lead directorate	Service	Audit Title	Audit work
<b>Adult Services and Health &amp; Wellbeing</b>			
<b>Governance and Democratic Oversight</b>			
Live Well and Age Well Policy, Information and Commissioning	Policy, Information and Commissioning	Health Integration	A review to assess the adequacy and effectiveness of the governance arrangements established to progress the health integration agenda.
Live Well and Age Well Policy, Information and Commissioning	Policy, Information and Commissioning	Strategic Commissioning and Transformation Board	A review to assess the adequacy and effectiveness of the new governance framework being established to manage and monitor priority and progress against key commissioning activity.
<b>Adult Services and Health &amp; Wellbeing</b>			
<b>Business Effectiveness</b>			
Public Health	Health, Safety and Resilience	Effectiveness of management and control arrangements within the Infection Prevention and Control team	The review will assess the adequacy and effectiveness of the managerial scrutiny, supervision and performance management arrangements conducted in order to obtain assurance that the service is meeting its operational responsibilities to appropriate quality standards and within applicable time and budgetary constraints.
Adult Care and Provider Services	Older People Care Services	Performance Management Framework	A review to assess the adequacy and effectiveness of the Performance Management Framework as a mechanism for assessing achievement of overall service aims and objectives.
Adult Community Social Care	Adult Community Social Care	Social Care Digital Pathfinders Project	Review and certification of the Statement of Income and Expenditure being prepared in support of the Exit Strategy and Plan. The review will provide assurance as to whether expenditure has been incurred in accordance with the grant conditions and confirm whether income and expenditure is complete and accurately recorded.
Adult Care and Provider Services	Older People Care Services	Service Transformation	A review of the adequacy of the arrangements put in place to manage, monitor and progress the different phases of the OP service transformation programme.
Quality & Improvement	Quality & Improvement	Quality Assurance Framework	A review of the adequacy of the Quality Assurance Framework being developed to support an assessment of the council's preparedness for the future CQC inspection process.
<b>Adult Services and Health &amp; Wellbeing</b>			
<b>Service Delivery</b>			
Quality, Contracts and Safeguarding	Quality, Contracts and Safeguarding	Management of failing care homes	A review of the controls to manage failing providers, including consideration of contractual arrangements and lessons learned from CQC and the LSAB.

Lead directorate	Service	Audit Title	Audit work
Quality, Contracts and Safeguarding	Quality, Contracts and Safeguarding	Safeguarding adult reviews	A review of the adequacy and effectiveness of the processes employed within Lancashire to respond to the multi-agency Safeguarding Adult Reviews initiated by the Lancashire Safeguarding Adults Board. Carried forward from 2021-22 Audit Plan.
Adult Community Social Care	Adult Community Social Care	Social care review arrangements	Audit of the review of packages of care, focussing on timeliness. Carried forward from 2021-22 Audit Plan.
Adult Community Social Care	Adult Community Social Care	Direct Payments - Operational (Adults)	An end-to-end case management review that includes: <ul style="list-style-type: none"> <li>• Staff training/ guidance</li> <li>• Service User capacity to administer</li> <li>• Support planning vs budget</li> <li>• Review processes</li> </ul>
Adult Community Social Care	Learning Disability, Autism & Mental Health	Transitions	An end to end case management review to determine whether the key internal controls relating to the new transition pathway from Children's Services to Adult Social Care services are adequately designed and effectively operated.
Public Health	Health Equity & Partnerships	Phase 3 Covid vaccine rollout	A review that will assess the adequacy and effectiveness of the Phase 3 Covid vaccine rollout, considering compliance with national standards.
Public Health	Health Equity & Partnerships	Lancashire Public Health 0-19 Healthy Child Programme	A review of the adequacy and effectiveness of the contract monitoring arrangements that ensure service quality and delivery is consistent with service specification and payments are appropriately authorised and approved, and service credits are claimed if applicable. The review will also consider the adequacy of the service specification in obtaining assurance that service delivery is meeting the overall aims and objectives of the service provision.
Adult Care and Provider Services	Disability Service	Safeguarding Service User Funds	The review will consider the adequacy and effectiveness of the control framework associated with the council's administration of the finances of service users who lack the capacity to look after themselves. We will review the arrangements as applied to those individuals who are also supported by the council under a Court Appointed Deputy or DWP appointee arrangement. Carried forward from 2021-22 Audit Plan. Previously planned as a follow up audit.
Quality, Contracts and Safeguarding	Quality, Contracts and Safeguarding	Safeguarding adults	An end-to-end case management review of the revised operational processes.
Policy, Information and Commissioning	Policy, Information and Commissioning	Domestic Abuse Strategy	Assessing the adequacy of the council response to its responsibilities under the Domestic Abuse Act, which came into force in April 21.
Public Health	Health Equity & Partnerships	Workforce wellbeing	A review to consider how well information and data about workforce wellbeing is captured, analysed and reported. Additionally, to assess whether the success of the various support mechanisms is reviewed and to determine if and how managers are promoting wellbeing across their teams.
Public Health	Health Equity &	Operation of the	The review will consider the adequacy and effectiveness of the partnership

Lead directorate	Service	Audit Title	Audit work
	Partnerships	Lancashire Volunteer Partnership	arrangements between Lancashire County Council and Lancashire Constabulary, and will include governance arrangements, and financial management.
Policy, Information and Commissioning	Policy, Information and Commissioning	Commissioning framework	A review to assess the adequacy and effectiveness of the commissioning framework, with a focus on how past performance, needs assessment and consultation informs future commissioning decisions and procurement activity.
<b>Adult Services and Health &amp; Wellbeing</b>			
<b>Business Processes</b>			
Adult Care and Provider Services	Older People Care Services	Financial Management	A review of the adequacy and effectiveness of a range of financial management activities including record keeping and administration and monitoring of income.

Lead directorate	Service	Audit Title	Audit work
<b>Education &amp; Children's Services</b>			
<b>Service Delivery</b>			
Children's Social Care	Front Door, Assessment and Adolescent Services	Multi-Agency Safeguarding Hub (MASH)	Policy and processes for managing referrals including screening, decision making and timeliness.
Children's Social Care	Front Door, Assessment and Adolescent Services	Children's Services Support Hub	The role and impact of the Hub in processing referrals for non-statutory services.
Children's Social Care	Front Door, Assessment and Adolescent Services	Youth offending referrals	Processing of referrals including record keeping, tracking, referrals and review.
Children's Social Care	Looked After Children and Leaving Care	Case Recording	Arrangements to ensure cases are recorded in line with policy including responsibility, timeliness, maintenance, quality, record retention, security and access.
Children's Social Care	Looked After Children and Leaving Care	Special Guardianship Orders	Management of SGO financial support under the new assistance framework.
Education, Culture and Skills	Inclusion	SEND Partnership Improvement Plan	Governance and monitoring to support action plan delivery including role of the SEND Partnership Board.
Education, Culture and Skills	Libraries, Museums and Culture	Museum Security	Processes for the secure holding of assets, building maintenance, maintenance of collection and asset inventories.
Policy, Commissioning and Children's Health		Child poverty	The council's response to increases in child poverty including collaboration across the council and with partners.

Lead directorate	Service	Audit Title	Audit work
Policy, Commissioning and Children's Health	Equalities and Cohesion	Refugee resettlement from other countries	Financial management and provider procurement processes for resettled citizens of other countries, including Syria and Ukraine.
Policy, Commissioning and Children's Health	Commissioning	Contract Management	Arrangements for managing children's social care contracts.
Children's Services	Children's Services	Direct Payments - Operational (Children's Services)	Review to determine whether the key internal controls relating to the management of direct payments are adequately designed and effectively operated.

Lead directorate	Service	Audit Title	Audit work
<b>Growth, Environment &amp; Transport</b>			
<b>Governance and Democratic Oversight</b>			
Growth, Environment and Planning	Strategic Development	Major Strategic Development Projects	An assessment of the adequacy and effectiveness of the governance and decision-making framework.
<b>Growth, Environment &amp; Transport</b>			
<b>Business Effectiveness</b>			
Growth, Environment and Planning	Business Growth	Community Renewal Funds	A review to assess the adequacy and effectiveness of the administrative arrangements.
<b>Growth, Environment &amp; Transport</b>			
<b>Service Delivery</b>			
Highways and Transport	Waste	Recyclable waste - income maximisation	Arrangements for ensuring the council receives maximum incomes from recyclable and reusable waste left at HWRCs.
Highways and Transport	Design and Construction	Capital programme: project management	Audit of the controls that ensure capital projects are managed efficiently and effectively. Carried forward from 2021-22 Audit Plan.
Highways and Transport	Design and Construction	Schools property maintenance traded service	Management of the service including quality and value of service provision.
Highways and Transport	Customer Access Service	Blue Badges	Compliance with policy and guidance for processing of blue badge applications.
Highways and	Highways	Equipment hire	Arrangements for hire, storage, security and return of equipment and vehicles



Lead directorate	Service	Audit Title	Audit work
Transport			including decision making and options.
Highways and Transport	Highways	Highways procurement	Compliance with procurement process including needs assessment, decision making and value for money.
Highways and Transport	Highways	Contract management	Arrangements for managing delivery of key contacts.
Highways and Transport	Highways	On-street parking enforcement	Arrangements for enforcing parking regulations including issue of penalty notices, payment and appeals.

Lead directorate	Service	Audit Title	Audit work
<b>Resources</b>			
<b>Governance and Democratic Oversight</b>			
Corporate Services	Legal, Governance and Registrars	Risk Management in Directorates	Assessment of the process to complete risk registers in a sample of services and directorates, including initial risk assessment and scoring, and implementation of mitigating actions.
Corporate Services	Legal, Governance and Registrars	Legal Services outsourced provision	Use of locums and agencies including decision making, selection, value for money and building in-house capacity.
Corporate Services	Legal, Governance and Registrars	Information governance and UK-GDPR	Compliance with regulation and good practice following Brexit.
Finance (Pension Fund)	Pension Fund	Understanding the assurance provided by LPP's internal auditors	Assessment of the assurance over the operation of the Pension Fund by the Local Pensions Partnership Ltd (LPP).
<b>Resources</b>			
<b>Business Effectiveness</b>			
Organisational Development and Change	Organisational Development and Change	Organisational transformation	A review to assess the adequacy of staff engagement, impact assessment and benefits realisation arrangements in delivering the transformation agenda.
Strategy & performance	Commercialisation	Progression of the commercialisation agenda	A review to assess the adequacy of the control framework being developed in support of the commercialisation agenda.
<b>Resources</b>			
<b>Service Delivery</b>			
Finance	Procurement	Compliance with procurement rules	Testing compliance with established procurement rules including the operation of counter-fraud controls, financial limits, approvals, tendering and selection.

Lead directorate	Service	Audit Title	Audit work
Finance	Financial Management (Development & Schools)	Schools Financial Value Standard (SFVS)	Compliance with SFVS requirements in a sample of schools to support S151 Officer certification.
Finance	Financial Management (Development & Schools)	Schools thematic audit: asset management	Audit of a sample of schools to test compliance with controls for securing assets of value.
Finance (Pension Fund)	Pension Fund	Pensions processing	Processing of pension payments.
Finance (Pension Fund)	Pension Fund	Pensions treasury management	Audit of the treasury management arrangements for pension funds.
Finance	Corporate Finance and Exchequer Services	Direct Payments - Financial Review	Review to establish the scope, frequency and timeliness of financial reviews undertaken to determine that DP funds are being spent only on items identified in the clients support plan, that surplus funds are being effectively clawed back, unauthorised spend recovered and client contributions towards care are being received.
Corporate Services	Human Resources	Attendance/ absence management	Policy and compliance with arrangements for all types of leave, including sick leave. Carried forward from 2021-22 Audit Plan.
Corporate Services	Human Resources	Flexible working arrangements.	Benefits and drawbacks for the council and staff including productivity, manager decision making and understanding and application of rules.
Corporate Services	Skills, Learning and Development	Mandatory corporate training	Audit of processes to ensure that officers requiring mandatory training receive it, inducing needs identification and follow up.
Corporate Services	Skills, Learning and Development	Agency Worker Contract:	Arrangements for managing the contract with Matrix SCM Ltd. including service quality, issue identification and resolution, and value for money.
Strategy and Performance	Asset Management	Contract monitoring: Building Schools for the Future (BSF)	Assessment of the procedures in place to monitor the BSF contracts; their financial performance and in relation to health and safety in school buildings. Carried forward from 2021-22 Audit Plan.
Strategy and Performance	Facilities Management	Use of the council's buildings under the new flexible working arrangements	A review that considers how the council, under the new flexible working arrangements are monitoring the use of individual office spaces and establishing whether the current configuration is working for services. We will also consider how data re office use is influencing portfolio management decisions. Carried forward from 2021-22 Audit Plan.
Strategy and Performance	Facilities Management	School catering service	Consideration of the control framework in place to ensure the nutritional value of meals is balanced with the cost of provision. Carried forward from 2021-22 Audit Plan.

Lead directorate	Service	Audit Title	Audit work
Strategy and Performance	Facilities Management	CCTV surveillance conducted from the council's estate	Confirmation that the council is compliant with GDPR and any requirements related to the use of CCTV cameras and retention of data obtained from them. Carried forward from 2021-22 Audit Plan.
Strategy and Performance	Digital	Digital Programme Management	Carryout a review of Project and Programme Management with a focus on the Project Management team structure, skill sets and workforce planning. The review is to include key stakeholder interviews.
Strategy and Performance	Digital	Office 365	Post implementation review to consider Exchange online configuration, functionality and adoption, creation of Teams, channels and management of data.
Strategy and Performance	Digital	Oracle Fusion	Review to consider critical application governance, contract and support arrangements, security and patching of application, operating system and database, access controls and user management, logging and monitoring and resilience and continuity arrangements.
Strategy and Performance	Digital	IT Service Continuity	Review to consider disaster recovery, IT business continuity arrangements, third party management where applicable, backup data management, storage and recovery, infrastructure asset management, computer room management and incident management.
Strategy and Performance	Digital	Lancashire Constabulary Data Transfer	A review to assess the completeness and accuracy of the data transferred to Lancashire Constabulary on cessation of the support service contract, with an additional focus on ensuring all relevant LCC data is removed by the Constabulary following transfer.
Organisational Development and Change	Organisational Development and Change	Project management	A review to assess the effectiveness of the programme management office in enabling and facilitating delivery of projects and programmes across the council whilst retaining oversight and critical review.
Strategy and Performance	Asset Management	Management of the council's property portfolio	A review to assess the adequacy and effectiveness of the council's property management arrangements, including community assets.
<b>Resources</b>			
<b>Business Processes</b>			
Finance	Corporate Finance and Exchequer Services	Payroll processing including schools	Compliance testing of the key controls, including school salaries.
Finance	Corporate Finance and Exchequer Services	Accounts receivable: central controls	Compliance testing of the key controls.
Finance	Corporate Finance and Exchequer Services	Accounts payable: central controls	Compliance testing of the key controls.

<b>Lead directorate</b>	<b>Service</b>	<b>Audit Title</b>	<b>Audit work</b>
Finance	Corporate Finance and Exchequer Services	Cash and banking	Compliance testing of the key controls. Carried forward from 2021-22 Audit Plan.
Finance	Corporate Finance and Exchequer Services	General ledger including accounting for the Pension Fund	Compliance testing of the key controls for both the council and the Pension Fund.
Finance	Corporate Finance and Exchequer Services	VAT	Compliance testing of the key controls.
Finance	Corporate Finance and Exchequer Services	Treasury management and investment	Compliance testing of the key controls, including pensions.
Finance	Financial Management (Development & Schools)	Lancashire County Development Limited (LCDL)	Audit of the company's governance and financial control framework, including LCC oversight.
Strategy and Performance	Asset Management	Premises compliance	A review to assess the adequacy of the council's revised premises health and safety compliance arrangements. Carried forward from 2021-22 Audit Plan. Previously planned as a follow up audit.

## Internal Audit Strategy for 2022/23

This document sets out the matters supporting the annual audit plan and the process by which it has been developed for 2022/23.

### 1. Statutory and professional requirements relating to internal audit

- 1.1. Internal audit's function is established by the Accounts and Audit Regulations 2015, which are supported by professional standards for internal audit in the public sector and an advisory note specifically for local government in the United Kingdom. The key requirements of the regulations and of the Public Sector Internal Audit Standards (PSIAS) are set out below.

#### Relevant regulations

Internal audit: "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

*Regulation 5. (1)*

Review of internal control system: "A relevant authority must, each financial year (a) conduct a review of the effectiveness of the system of internal control [...] and (b) prepare an annual governance statement."

*Regulation 6. (1)*

*Accounts and Audit Regulations 2015*

#### Definition of internal auditing

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

"The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control."

"Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes."

*Public Sector Internal Audit Standards, 2017*

*published by the Relevant Internal Audit Standard Setters*

- 1.2. The regulations therefore establish the requirement for an internal audit function and its provision of an opinion on the council's governance, risk management and control processes, following public sector internal auditing standards. Professional standards likewise mandate the provision of such an opinion. They also recognise that internal audit involves the provision of both assurance and consultancy services, but assurance is its primary function and any consultancy work must inform the assurance opinion.

### 2. Planning principles

- 2.1. Following the requirement to provide an overall opinion on governance, risk management and control process, a number of principles guide the decisions regarding the work to include in the annual audit plan. These are set out below and address the practical interpretation and application of professional requirements within the county council.

## Internal audit coverage to support an annual overall opinion

- 2.2. An internal audit plan designed to provide the evidence necessary to support an opinion on governance, risk management and control should arguably encompass the following:
- Coverage of the key components of each part of the opinion: aspects of the council's governance, risk management and control.
  - Sufficient coverage of controls across the council's operations as a whole, so that a fair assessment may be made across the organisation.
  - Coverage of the controls that serve to mitigate the council's most significant risks to an acceptable level, and particularly those that operate most widely across the council.
  - Assessment of the actions being taken to develop improved controls in the areas of greatest unmitigated risk.
- 2.3. It is therefore necessary as a minimum to audit aspects of the council's governance and risk management processes, as well as a range of control processes. However, information will also be available from less formal sources than planned audit engagements and this will also inform the overall opinion for the organisation.
- 2.4. The council's governance, risk management and control framework is shown in the diagram below. The internal audit plan is designed to address, proportionately, the coverage required across this controls framework to cover the whole organisation. Where the council achieves its objectives in conjunction with partners, we will also seek assurance over the work of those key partnerships.

A framework for governance, risk management and control						
<b>Governance and democratic oversight</b>						
Corporate governance		Decision-making		Oversight and scrutiny		Policy setting
<b>Business effectiveness</b>						
Risk management	Performance management	Organisational design	Financial governance and planning		Working in partnership	
<b>Service delivery</b>						
Growth, Environment & Transport		Education & Children's Services		Adult Services and Health & Wellbeing		Resources
<b>Service support</b>						
Legal services	Skills, learning & development	Core ICT systems	Property management	Health & safety	Programme management	Customer access
<b>Business processes</b>						
Financial systems & processes			Procurement		Facilities management	Human resources
Information management		Contract monitoring & management		Payroll processing		
Business continuity				Investment	ICT systems	

## Relationship to the risk management process

- 2.5. A risk-based audit plan will take into consideration the risks assessed as most significant by the organisation's managers and should seek to provide assurance over the operation of the controls that serve to reduce the most significant risks to the greatest degree.
- 2.6. Working with the council's managers and using risk registers prepared by individual services, we have sought to identify the areas with the greatest inherent risk where these risks are regarded as having been effectively mitigated by strong controls. These are the controls on which the council is placing the greatest reliance and over which it therefore needs the greatest assurance.

- 2.7. The outcome of our audit work is primarily assurance that controls are adequately and effectively designed to mitigate risks to the council's objectives, but also pragmatic action plans intended to mitigate unacceptable degrees of risk. The judgement regarding what degree of risk is acceptable is for the council's managers rather than the Internal Audit Service to make. Where action plans are agreed we will follow them up and assure the Audit, Risk and Governance Committee that action is being taken.
- 2.8. The audit plan is therefore focussed on the key areas of risk to the council, although these may alter during the course of the year. It will be flexible and individual assignments may be added to it or removed from it over time.
- 2.9. The corporate risk register provides a snapshot at any point in time of the matters that present the greatest unmitigated risks to the council. They are therefore matters that the council's senior leadership team will be working most actively to manage but they will not yet be regarded as adequately or effectively controlled. These may be more appropriately subject to advisory input from the Internal Audit Service rather than assurance work.

### **The audit response to significant risks known to be not acceptably mitigated**

- 2.10. The requirement for audit assurance arguably depends on whether or not risks are regarded by management as being mitigated to an acceptable degree. An internal audit function would normally aim, as a minimum, to substantiate assertions by management that an organisation's risks are adequately and effectively controlled but, where a management team is unable to make such an assertion it is highly unlikely that internal audit work would conclude any more positively. Similarly, where risks are recorded on the corporate risk register as being inadequately mitigated they are subject to focussed effort by the organisation's most senior managers and any internal audit assurance work is unlikely to conclude that the service, system or process is as yet subject to adequate or effective control.
- 2.11. Therefore, where management is unable to provide favourable assurance, the Internal Audit Service does not plan to undertake any other assurance work, although this will inform the head of internal audit's overall opinion. Rather than assurance, the Internal Audit Service may provide advisory support to the organisation and its managers in these cases, as set out in paragraph 3.4 below.
- 2.12. Since the drive for improvement is constant and change continues across the organisation, the plan will need to be flexible and is likely to be amended during the year.

### **The council's 'lines of defence' and other sources of assurance**

- 2.13. The Internal Audit Service is only the council's third line of defence in a model that represents management as the first line, responsible for directly assessing, controlling and mitigating risks; and any in-service compliance activity that confirms these controls as the second. For example, the social care services impose independent compliance checks on front-line staff and their managers to ensure that social work is adequately supervised, and its quality regularly checked. Where such 'second line' compliance functions are available, we focus our audit work on assessing the control exerted by them rather than on repeating their work.
- 2.14. Other sources of assurance may be available from external organisations, for example the external auditor or Ofsted. We actively seek to understand what other sources are available and will take it into account if it is relevant to the overall opinion on governance, risk management and control. We will ensure as far as possible that the committee is made aware of such assurance.

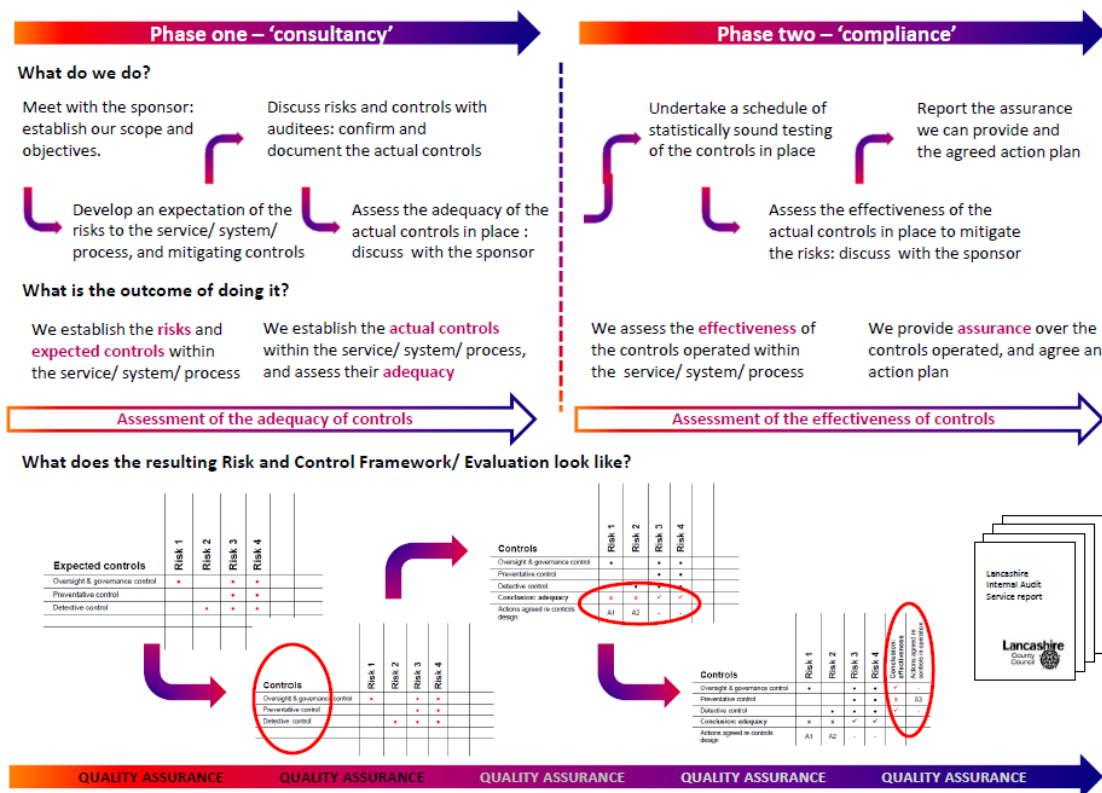
## Internal audit sponsorship and auditors' engagement with management

- 2.15. We need to direct our audits to senior individuals who are able to sponsor the work and take responsibility for any remedial action required to mitigate any unacceptable risks: these will normally be the council's directors. We therefore need to work with the council's directors, but also the heads of service and key managers, to scope our work and agree its outcomes.
- 2.16. Some business processes are the responsibility of more than one service area and, where processes span more than one service, we may plan a short series of individual but connected audits. These may in turn require sponsorship at a more senior level within the organisation and we will consult the Corporate Management Team on the best way to approach such work.
- 2.17. The Internal Audit Service has no specific in-house expertise in the specialist area of technical ICT audit work but has appointed an external provider to undertake a programme of specialist ICT audit work for the council.

### 3. The audit approach adopted by the county council's Internal Audit Service

- 3.1. The Internal Audit Service follows a risk-based audit methodology, working closely with the council's managers to understand the risks to services, systems and processes and then testing the controls in place that mitigate these risks. The audit process therefore involves two phases: establishing a framework of risks and controls, and then testing those controls. During the first phase we work closely with the service's managers to document a risk and control framework for a service, system or process which enables us to assess the adequacy of the controls designed to mitigate the risks identified. During the second phase we test the effectiveness of the controls in operation. This approach is show diagrammatically below.

#### A risk-based audit methodology in two phases





- 3.2. The way this approach is applied to any audit varies depending on what assurance can firstly be given by the council's managers that risks are adequately and effectively mitigated.

### **Full audit including both phases of work: risk and control evaluation**

- 3.3. Where assurance is required over a control system that has not previously been audited in its present form, for example because it is new or has been recently changed, but its managers believe that the risks are adequately and effectively controlled, we undertake a full review including both audit phases. We will provide an opinion on the basis of this work.

### **Work on phase one only: consultancy**

- 3.4. Where the managers of a service, system or process are aware that there are matters to address and are unwilling to assert that risks are adequately and effectively controlled, they may seek support to design and implement appropriate controls. The first phase of any audit may be regarded as advisory work or consultancy as we work with a service's managers to consider the controls, they operate to manage the risks to their service's objectives. This analysis can be undertaken at any time, particularly whilst a service is in the process of transformation and can assist managers to design effective procedures. We can use this approach to add value to the organisation without providing any further assurance but, although it would need to be checked and revised, this work may serve as the first phase of a full audit at a later date, perhaps in the following year.

### **Work on phase two only: compliance**

- 3.5. The second phase of an audit is intended to provide assurance that control systems that have already been assessed as being adequately designed are also operating effectively. This may follow immediately after the first phase as part of a full audit, or where the service, system or process has been audited before but is of such significance to the council that further assurance is required that it continues to operate effectively, we will undertake repeated compliance testing of key controls.

### **Follow-up work**

- 3.6. Where managers can confirm that action has been taken as agreed during a previous audit to mitigate any high or medium risks identified we will seek evidence to support this, but we will not generally follow up actions designed to mitigate only low risks.

### **Degrees of assurance**

- 3.7. The assurance we will provide falls into four categories: substantial, moderate, limited and none.
- Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.
  - Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.
  - Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.
  - No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

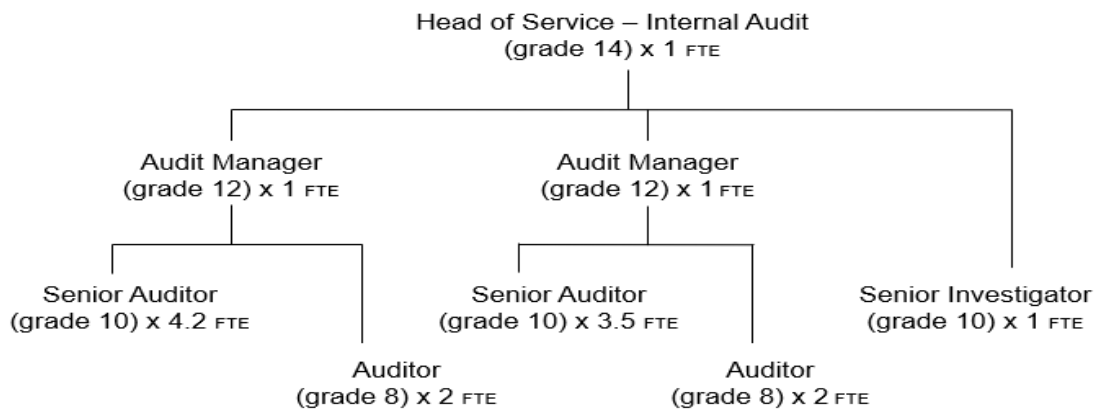
#### 4. Inputs to the planning process

- 4.1. Members of the Internal Audit Service have consulted members of the Corporate Management Team, Directors and Heads of Service to ensure a reasonable understanding of the risks to the council's services and the areas that will be most appropriately subject to detailed audit work.
- 4.2. The Internal Audit Service has access on request to the papers of the council's various management teams, including service risk registers. The Cabinet regularly considers financial reports from the director of finance which set out the expenditure in each of the council's services, and these provide an indication of the scale of the services as well as the council's financial position. Information from the team that monitors the council's staff resources likewise provides an indication of the scale of the council's services in terms of the numbers of staff employed, identifying the services that are inherently the most significant to the council in terms of their budgets and numbers of staff.
- 4.3. We have previously given full assurance over the design and operation of the council's risk management process. We have reviewed the risk registers for each of the council's services, as well as the corporate register and this has supported discussions with directors and managers. These have identified the risks that individual services assess as most significant and the controls that mitigate these.

#### Audit resources

- 4.4. Resource requirements are reviewed each year as part of the audit planning process. The current establishment for the audit team enables sufficient resource to deliver the risk-based plan. The service employs 17 staff in the structure which equates to 15.7 full-time equivalent (FTE) as set out below:

#### Lancashire County Council: Internal Audit Service



- 4.5. The Internal Audit Service also provides an out-sourced internal audit function to the Office of the Police and Crime Commissioner and Lancashire Constabulary, Lancashire Fire and Rescue Service and Rossendale Borough Council, as well as some additional support to some of the other district councils. This work accounts for approximately 2.4 full-time equivalent staff although it is undertaken by individuals across the service.

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

Meeting to be held on 25 April 2022

Electoral Division affected: None
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## **External Audit: Lancashire County Council Audit Plan 2021/22**

(Appendix 'A' refers)

Contact for further information:

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### **Executive Summary**

Appendix 'A' to this report sets out the Lancashire County Council Audit Plan provided by the council's external auditors, Grant Thornton, for the year ending 31 March 2022.

The auditors are required to perform the audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office.

### **Recommendation**

The Committee is asked to note the Lancashire County Council Audit Plan for 2021/22, as presented, and raise any issues, clarifications and questions with the external auditor.

### **Background and Advice**

External Audit provides assurance as to the effectiveness of the council's accounting and financial management arrangements and through these supports the council in its work to deliver its priorities and objectives.

The Audit, Risk and Governance Committee has a key role to ensure control and risk management arrangements are effective and this report is made consistent with that responsibility.

The Lancashire County Council Audit Plan sets out a number of areas for the committee's consideration, including the approach to the audit, the concept of materiality, risks, value for money and key dates.

### **Consultations**

The reports have been discussed with finance officers of the council.

**Implications:**

This item has the following implications, as indicated:

**Risk management**

External audit is a statutory function required by the Local Audit and Accountability Act 2014. The audited accounts are required by to be published by 30 November 2022.

**Local Government (Access to Information) Act 1985**

**List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

# Lancashire County Council External Audit Plan

Year ending 31 March 2022

8 April 2022



# Contents



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## Section

Key matters	3
Introduction and headlines	4
Group audit scope and risk assessment	5
Significant risks identified	6
Accounting estimates and related disclosures	10
Other matters	13
Materiality	14
IT Audit Strategy	15
Value for Money Arrangements	16
Risks of significant VFM weaknesses	17
Audit logistics and team	18
Audit fees	19
Independence and non-audit services	20
Digital Audit	22
Appendix 1: Progress against prior year recommendations	24
Appendix 2: Significant improvements from the Financial Reporting Council's (FRC) quality inspection	25

## Page

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## Factors

### Council developments

We have continued to hold regular meetings with the senior finance team at the Council. During these meetings we discuss a range of key issues regarding the Council's general developments, current and projected financial performance, governance issues and regulatory oversight.

At the time of producing this Plan, the Council is projecting a year-end budget surplus of circa £23.6m. The Council has also updated its Medium Term Financial Strategy (MTFS), based upon latest funding assumptions from the Local Government Funding Settlement and the approved 2022/23 Budget.

The Latest MTFS forecasts a funding gap for 2022/23 is £21.690m, with an updated aggregated funding gap of £42.830m by 2024/25. This is a reduction of £15.730m from the previously reported MTFS in November 2021. On 17 February 2022, Full Council approved a Band D Council Tax increase for 2022-23 of 3.99% including 2% to be used for adult social care as per the new flexibilities.

The Council was subject to a peer review by the Local Government Association during 2021 which commented that "the Council's response to Covid-19 has been exemplary and that relationships with district councils have improved significantly". The Council has also been actively engaging with the Lancashire and South Cumbria Health and Care Partnership throughout the pandemic in co-ordinating a joined up response.

Progress remains ongoing in developing the "County Deal" for Lancashire. Lancashire County Council, along with the 12 district councils, Blackpool Council and Blackburn with Darwen Council have been cooperating to develop proposals covering the economy, transport, jobs, skills, and the environment, with the aim of securing a devolution deal for the county. All of the Councils have now approved the high level approach and further work is underway in developing the details of the proposal.

On 1 April 2021, the Council brought the staff and services previously provided under an outsourced contract by BT Lancashire Services back in-house. Staff were transferred back to the Council and key services such as ICT and Payroll are now provided by the Council itself.

### Changes in IT systems

We are aware that there will be changes to the Council's financial systems during 2022/23. The Council is expected to upgrade its General Ledger system to Oracle Fusion in June 2022. Whilst this is not expected to have any impact on the audit of the 2021/22 annual accounts, we have begun engaging with our internal IT specialist auditors to ensure that appropriate work is performed to provide us with the necessary assurance over the completeness and accuracy of any data migrated to new systems and the controls adopted for future audit purposes.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, is set out further in our Audit Plan on page 19.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- Progress made against recommendations made in prior audits is outlined at Appendix A. As part of our assessment of the Council's arrangements for securing Value for Money we also identified a small number of improvement recommendations. These were outlined in our Annual Auditor's Report which was presented to the January Audit, Risk & Governance Committee, as well as the February Full Council Meeting. We will follow up progress against those recommendations as part of our 2021/22 VFM work and report progress in our 2021/22 Annual Auditor's Report.
- We will continue to provide you with sector updates via our Audit, Risk & Governance Committee updates.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Lancashire County Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Lancashire County Council. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Risk & Governance committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit, Risk & Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of its wholly-owned subsidiary, Lancashire County Developments Limited. Further detail on the Group audit approach and significant risks is detailed on page 5.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of Investment Properties
- Management Override of Controls
- Valuation assumptions for net pension liability
- Valuation of land and buildings - specifically for assets where valuation movements are not in line with expectations

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £34.081m (PY £28.134m) for the group and £34.063m (PY £28.108m) for the Council, which equates to 1.45% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.703m (PY £1.405m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following potential risk of significant weakness:

- Governance arrangements over key capital projects with partners where the Council is the accountable body

## Audit logistics

Our interim visit will take place in March and April and our final visit will take place between July and November. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit for 2021-22 is still to be confirmed as the PSAA approval process for 20-21 audit fees has only just been finalised. The fee for 2021-22 will be subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.



# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Lancashire County Council	Yes		<ul style="list-style-type: none"> <li>See page 6 onwards</li> </ul>	Full scope audit performed by Grant Thornton UK LLP
Lancashire County Developments Limited	Yes		<ul style="list-style-type: none"> <li>See page 6 onwards – Group risks are management override of controls and Valuation of Investment Properties</li> </ul>	<p>Assurance over specific group risks of management override of controls and Valuation of Investment Properties to be performed by the component auditor Beever &amp; Struthers.</p> <p>The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the Beever and Struthers audit documentation and meeting with appropriate members of management.</p>

## Key changes within the group:

We are not aware of any key changes in the group during 2021/22.

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA 240 revenue improper recognition risk	Group and Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Lancashire County Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for Lancashire County Council. Since the value of income for LCDL is below the group materiality level this is also not considered a risk for the Group audit.</p>	We have rebutted this risk.
Risk of fraud related to expenditure recognition - Practice Note 10	Group and Council	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>We have considered this risk for both the Council and the Group and have determined it to be appropriate to rebut this risk based upon the limited incentive and opportunity to manipulate expenditure within the Council and due to the immaterial expenditure streams within Lancashire County Developments Limited.</p>	We have rebutted this risk.

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties	Group only	<p>Investment properties are revalued annually and are held within the LCDL subsidiary. The valuations are conducted such that they are co-terminus with the group's year end reporting date.</p> <p>These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of investment property as a significant risk for the Group, which was one of the most significant assessed risks of material misstatement.</p>	<p>As detailed on page 5 we have communicated our group instructions to the auditor of Lancashire County Developments Limited to provide us with sufficient assurance over the valuation of investment properties. We have requested the component auditor to perform the following responses to this risk:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• Evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• Write out to them and discuss with the valuer the basis on which the valuation was carried out, any changes from prior year and any significant aspects of the valuation approach</li> <li>• Challenge the information and assumptions used by the valuer to assess completeness and consistency with your understanding. Challenge and corroborate the key assumptions applied (such as yield rates etc) in the valuation calculations. Ensure the completeness and accuracy of the information relied upon by the valuer; such as rental income, floor spaces etc.</li> <li>• Assess the instructions to the valuer, the valuer report and the assumptions that underpin the valuation</li> <li>• Test revaluations made during the year to see if they had been input correctly into the asset register</li> <li>• Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>
Management override of controls	Group and Council	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the group and the Council, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> <li>• Request assurance from the component auditor in relation to the risk of management override of control within Lancashire County Developments Limited.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation assumptions of the pension fund net liability	Council	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We have pinpointed this risk specifically for where the valuation movements on individual assets are not in line with expectations.</p> <p>We therefore identified the assumptions used to determine the valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings – specifically for assets where valuation movements are not in line with expectations	Council	<p>The Council revalues its land and buildings on a rolling three-yearly basis. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally for land and buildings, management will need to ensure the carrying value in the Council and group financial statements is not materially different from the current value or the fair value (for surplus assets and investment property) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write out to them and discuss with the valuer the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• engage our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit, Risk & Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties
- Depreciation
- Year-end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Private Finance Initiative (PFI) liabilities
- Fair value estimates

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place, we may need to report this as a significant control deficiency, and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate, we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have issued management with a set of questions to be completed and presented to the Audit, Risk and Governance Committee for ratification. We would appreciate a prompt response to these enquires in due course.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)



# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report, Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## National Issue on Infrastructure Assets

A national issue has been identified with regards to Infrastructure assets which is being discussed between audit firms, the NAO and CIPFA. The risk is where authorities have incurred expenditure on the replacement or enhancement of existing infrastructure assets, the authority may not readily be able to identify the original assets being replaced or enhanced.

In addition, some local authorities are not considering or accounting for impairments of infrastructure assets and some may not be identifying and applying appropriate useful lives to calculate depreciation. This in turn could result in an overstatement of both gross book values and accumulated depreciation, and potentially also net book values, because the authority may not write the expenditure or cumulative depreciation from the books.

As part of our audit response for 2021-22, we will perform specific audit procedures to gain an understanding of the potential impact of this issue on Lancashire County Council's Infrastructure assets.

We will consider whether this issue will impact upon our audit opinion to be issued and we also await further information from CIPFA in terms of any possible amendments to the CIPFA Code of Practice on Local Authority Accounting.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £34.081m (PY 28.134m) for the group and £34.063m (PY £28.108m) for the Council, which equates to 1.45% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We will apply heightened auditor focus in this area and will request amendments be made if any errors would alter the bandings reported for any officer.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

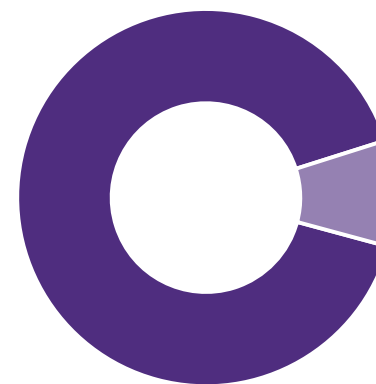
## Matters we will report to the Audit, Risk & Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Risk & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.703m (PY £1.405m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Risk and Governance Committee to assist it in fulfilling its governance responsibilities.

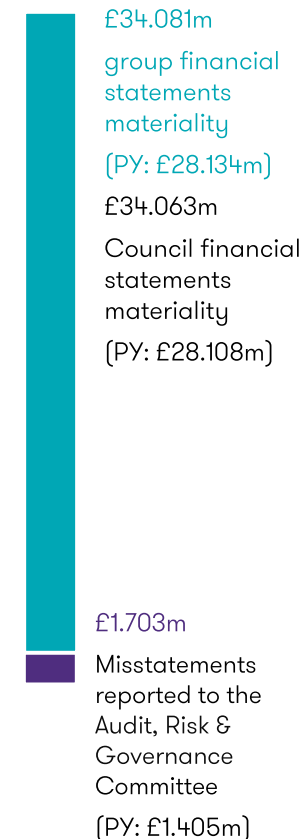
## Prior year gross operating costs

£2,350.4m group  
(PY: £2,248.6m)  
£2,349.2m Council  
(PY: £2,248.6m)



■ Prior year gross operating costs

## Materiality



# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite	Financial reporting	<ul style="list-style-type: none"><li>Roll-forward procedures linked to prior year detailed ITGC assessment (design and operating effectiveness)</li></ul>
Liquid Logic (ContrOCC) - Adult Social Care system	Other Expenditure/Fees & Charges	<ul style="list-style-type: none"><li>Streamlined ITGC design assessment</li></ul>

# Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



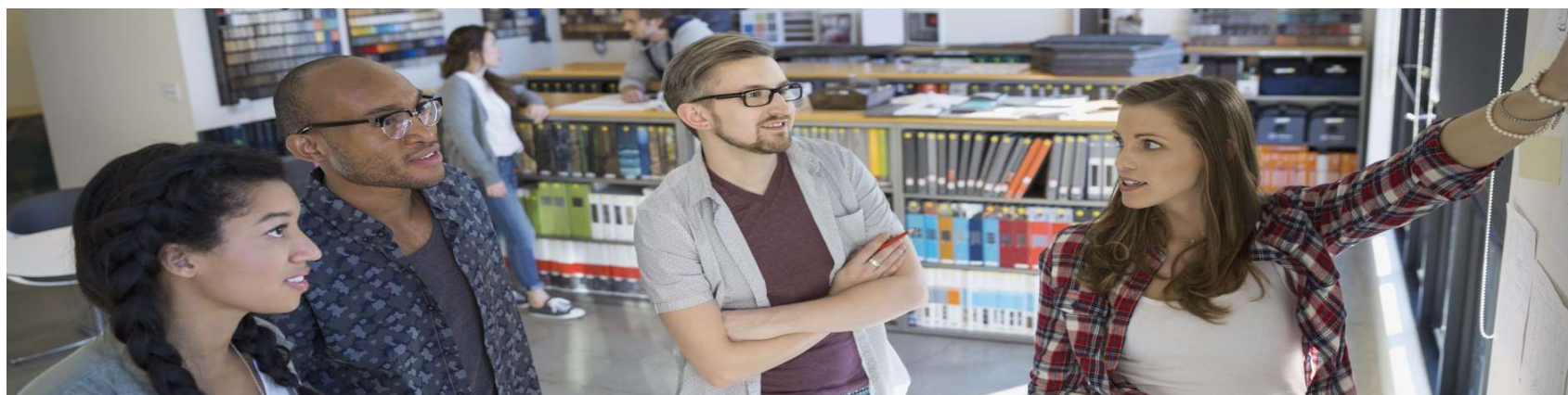
### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risk we have identified is detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.



### Governance arrangements over key capital projects with partners where the Council is the accountable body

Lancashire County Council is the accountable body for a number of very large capital projects in which it works with partners to deliver improved outcomes. The largest of these projects is the Preston, South Ribble and Lancashire City Deal, signed in 2013, with expected investment of over £400m. Partners in this deal include Lancashire County Council, Lancashire Enterprise Partnership, Homes England, Preston City Council and South Ribble Borough Council.

Where the Council is the accountable body, there is an increased need to ensure appropriate arrangements are in place to assess, plan, monitor, implement and review the ongoing projects. If there are budget overruns, shortfalls in funding or benefits expected are not realised then there is a financial risk which the Council is exposed to.

Whilst the Council has significant reserves which may be able to absorb some of these shortfalls currently, the Medium-Term financial Strategy predicts a significant call on reserves over the next few years to 2024/25, and so it is crucial to minimise any further budget shortfalls or other risks to the Council.

Due to the complexity of these large projects, and the potential impact on the Council's finances where they are the accountable body, we have identified this area as a potential risk of significant weakness.

We will review the arrangements in place at the Council to manage the risks associated with large capital projects when working with partners and assess if there are any weaknesses in the arrangements. We will report our findings in our Auditor's Annual Report.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# Audit logistics and team



## Sarah Ironmonger, Key Audit Partner



Sarah leads our relationship with you and takes overall responsibility for the delivery of a high-quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Audit, Risk & Governance Committee and the Council.

## Stuart Basnett, Audit Manager



Stuart plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.

## Fay Woodmass, Audit Incharge



Fay assists in planning, managing and delivering the audit fieldwork, ensuring that the audit is delivered effectively and efficiently. She supervises and co-ordinates the on-site audit team.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In 2018, PSAA awarded a contract of audit for Lancashire County Council to begin with effect from 2018/19. The fee agreed in the contract was £87,006. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 10 in relation to the updated ISA (UK) 540 (revised); Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our fee for the audit for 2021/22 is still to be confirmed as the PSAA approval process for 20-21 audit fees has only just been finalised. The fee for 2021/22 will be subject to the Council delivering a good set of financial statements and working papers.

All fee variations are subject to approval and agreement with PSAA.

	Actual Fee 2020/21	Proposed fee 2021/22
Lancashire County Council Audit	£141,357	£TBC
Total audit fees (excluding VAT)	£141,357	£TBC

The actual audit fee for 2020/21 of £141,357 has been approved by PSAA. This final fee is £2,999 less than that reported in the Audit Findings Report (£144,356) as a result of the PSAA approval process.

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Agreed upon procedures – Teachers' Pension return	£7,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
CFO Insights Subscription	£10,000	Self-Interest (because this is a recurring fee)	This is an on-line software service that enables users to rapidly analyse data sets. CFO Insights is a Grant Thornton and CIPFA collaboration giving instant access to financial performance, service outcomes and socio-economic indicators for local authorities.  It is the responsibility of management to interpret the information. The scope of our service does not include making decisions on behalf of management or recommending or suggesting a particular course of action.  The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it.  These factors all mitigate the perceived self-interest threat to an acceptable level.



# Independence and non-audit services

## Other services – Local Pensions Partnership

We also disclose to you that the commercial arm of our firm undertakes the audit of the Local Pensions Partnership, of which Lancashire County Council is one of the two founding members, each holding 50%. Details of the work performed, and the fees charged, are shown below for transparency purposes.

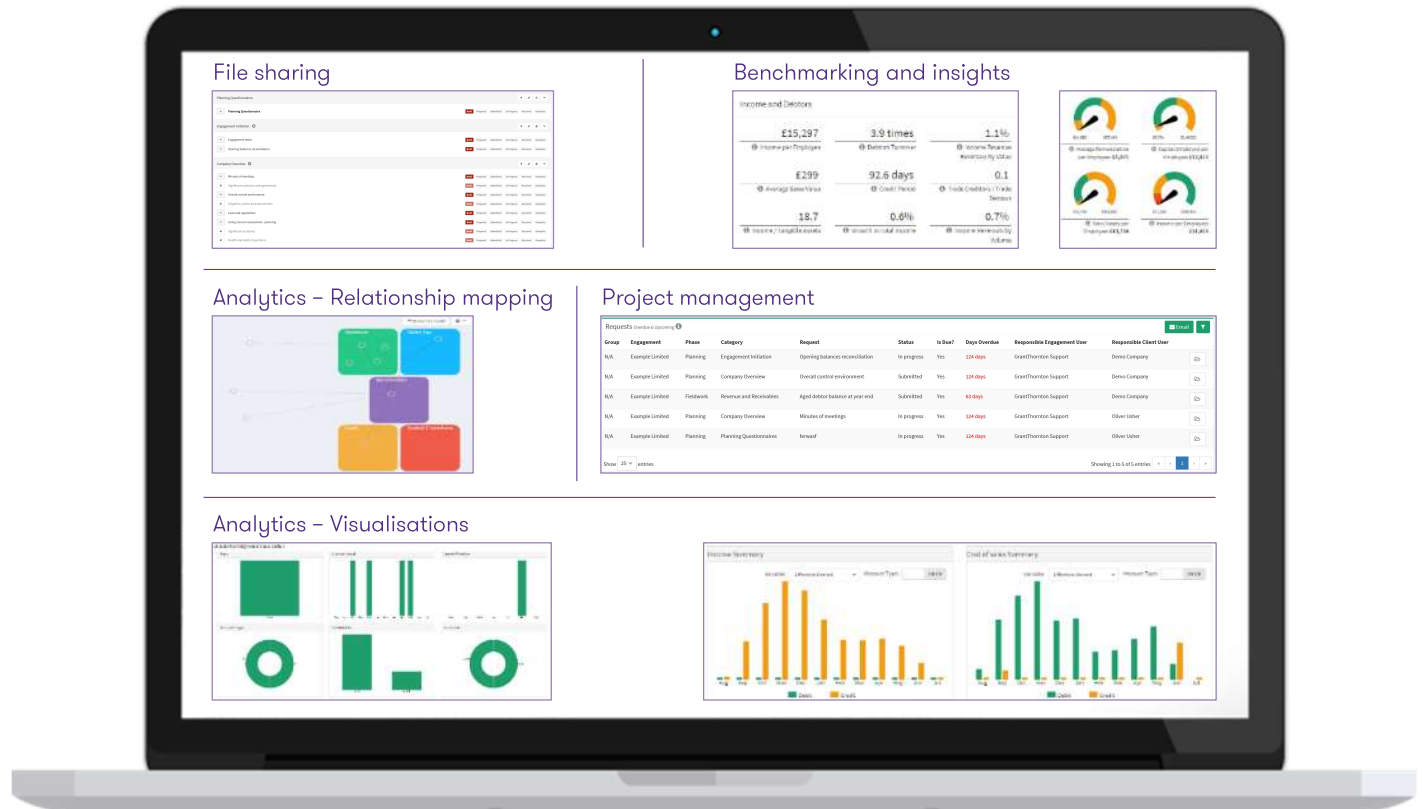
However, we are satisfied that this work has no impact on our independence for the audit of Lancashire County Council.

Service	Fees £	Threats	Safeguards
Audit related			
Local Pensions Partnership Authorised Contractual Scheme and investment funds structures audit	TBC (PY £116k)	Self-Review Self Interest	This is not considered a significant threat as the audit of Lancashire County Pension Fund and Lancashire County Council is undertaken by a completely separate team from the Public sector Services arm of the Firm, as opposed to the commercial audit team that delivers the LPP audits. There are different Engagement Leaders in place for both audits, and where we seek to place reliance on the work performed on the LPP audit, this is treated as an auditor's expert for the purposes of our work.

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

# Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the group's financial statements, which resulted in three recommendations being reported in our 2020/21 Audit Findings Report. Progress in implementing these recommendations is detailed below. As part of our assessment of the Council's arrangements for securing Value for Money we also identified a small number of improvement recommendations. These were outlined in our Annual Auditor's Report which was presented to the January Audit, Risk & Governance Committee, as well as the February Full Council Meeting. We will follow up progress against those recommendations as part of our 2021-22 VFM work and report progress in our 2021-22 Annual Auditor's Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><b>Oracle security and access controls</b></p> <p>Control weaknesses were identified in the security and access of the Council's Oracle system. The most significant weaknesses were:</p> <ul style="list-style-type: none"> <li>IT users self-assigning Oracle responsibilities without approval or subsequent timely removal.</li> <li>Limited evidence of appropriate restriction of Oracle database administration</li> </ul> <p>The journals work we have carried out has not identified issues in any of the areas above, indicating that they are not risks of material misstatement to the 2019/20 financial statements.</p>	<p>We have performed a similar review of the IT General Controls within the Council as part of our 2020-21 audit and the two items detailed in the prior year remain the two most significant weaknesses.</p> <p><b>Management Response</b></p> <p>As part of the Oracle Fusion Programme access controls and procedures will be reviewed as Fusion provides more granular controls to limit System Administration activities with the ability to apply controls at Job level, Duty Level and Data access level. Oracle Fusion does not allow direct access to the Oracle database and again more granular controls can be applied within Fusion to ensure that access can be applied based on the least privilege required to perform each user's role.</p>
X	<p><b>Payroll Leavers Controls</b></p> <p>As part of our procedures to gain assurance over pay expenditure we test a sample of leavers in year to ensure they are removed from the payroll system on a timely basis. We then rely on the payroll staff numbers report for our substantive analytical review of payroll costs. Our testing of a sample of 8 leavers to date found that all staff members were removed from the system between 3-6 months subsequent to the termination date. The process for staff to be removed is via notification to BTLS who maintain the administration of the payroll system.</p> <p>The Council should ensure all staff are removed from the system within a timely basis.</p>	<p>Our procedures during the 2020-21 audit have found similar issues still remain and that there can be a significant time lag in leavers being removed from the payroll system.</p> <p><b>Management Response</b></p> <p>Work is ongoing to improve performance in this area, following the return of the payroll service from BTLS to the County Council. Progress will continue to be reported to the Audit, Risk and Governance committee.</p>
X	<p><b>Journal Authorisation</b></p> <ul style="list-style-type: none"> <li>Manual journals within the financial ledger are input by approved personnel, but they are not subject to authorisation controls at the time of input</li> <li>The risk is that the lack of authorisation controls at the time of input creates a higher level of risk of error or manipulation.</li> </ul> <p>We recommended management review the authorisation procedures in place over journal input.</p>	<p><b>Management Response</b></p> <p>The same personnel-based controls remain in place, as does the lack of incentive for finance personnel to manipulate journals. Whilst we accept there are no preventative controls in place, there are informal detective controls in place, such as monthly financial monitoring reviews. Any journals for unusual accounting are discussed amongst the finance team and the approach agreed prior to them being posted.</p> <p>A review of users with access to the general ledger (and therefore an ability to post journals) is carried out at least annually.</p>

# Appendix 2: Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

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# Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.



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

Meeting to be held on 25 April 2022

Electoral Division affected: None
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## **External Audit: Lancashire County Pension Fund Audit Plan 2021/22**

(Appendix 'A' refers)

Contact for further information:

Sarah Ironmonger, Tel: 0161 953 6499, Partner, Grant Thornton UK LLP,

Sarah.L.Ironmonger@uk.gt.com

### **Executive Summary**

Appendix 'A' to this report sets out the Lancashire County Pension Fund Audit Plan provided by the Fund's external auditors, Grant Thornton, for the year ending 31 March 2022.

The auditors are required to perform the audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office.

### **Recommendation**

The Committee is asked to note the Lancashire County Pension Fund Audit Plan for 2021/22, as presented, and raise any issues, clarifications and questions with the external auditor.

### **Background and Advice**

External Audit provides assurance as to the effectiveness of the Fund's accounting and financial management arrangements and through these supports the Fund in its work to deliver its priorities and objectives.

The Audit, Risk and Governance Committee has a key role to ensure control and risk management arrangements are effective and this report is made consistent with that responsibility.

The Lancashire County Pension Fund Audit Plan sets out a number of areas for the committee's consideration, including the approach to the audit, the concept of materiality, risks, and key dates.

### **Consultations**

The reports have been discussed with finance officers of the Fund.

**Implications:**

This item has the following implications, as indicated:

**Risk management**

External audit is a statutory function required by the Local Audit and Accountability Act 2014. The audited accounts are required by to be published by 30 November 2022.

**Local Government (Access to Information) Act 1985**

**List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

# Lancashire County Pension Fund External Audit Plan

Year ending 31 March 2022

8 April 2022



# Contents



## Your key Grant Thornton team members are:

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## Section

Key matters

Introduction and headlines

Significant risks identified

Accounting estimates and related disclosures

Other matters

Materiality

IT Strategy

Audit logistics and team

Audit fees

Independence and non-audit services

Digital Audit

Appendix 1: Progress against prior year recommendations

Appendix 2: Significant improvements from the Financial Reporting Council's

(FRC) quality inspection

## Page

3

4

5

7

10

11

12

13

14

15

17

19

20

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## Factors

### Pension Fund developments

We have continued to hold regular meetings with the finance team at the Fund. During these meetings we discuss a range of key issues regarding the Fund's general developments, current and projected financial performance, developments within the LPP arrangements and regulatory oversight.

At the time of producing this Plan, Lancashire County Pension Fund's latest available fund asset valuation shows a continuing increase on the overall valuation of assets. At 31 March 2021, the Fund reported net assets of £9.605bn. By 31 January 2022, the valuation of the Fund's assets had increased to £10.532bn.

Since this date, there has been uncertainty caused in markets as a result of the Russia/Ukraine conflict. Whilst Lancashire County Pension Fund's direct exposure to investments in Russia is immaterial, the volatility caused by the conflict in markets may cause the year-end valuation of investments to be less than originally forecast.

### Changes in IT systems

We are aware that there will be changes to the Pension Funds financial systems during 2022/23. The Pension Fund is expected to upgrade its General Ledger system to Oracle Fusion in June 2022. It is also understood that the Pension Administration system used by LPP is being changed during 2022. Whilst this is not expected to have any impact on the audit of the 2021/22 annual accounts, we have begun engaging with our internal IT specialist auditors to ensure that appropriate work is performed to provide us with the necessary assurance over the completeness and accuracy of any data migrated to new systems and the controls adopted for future audit purposes.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, sets out the proposed fee for this year's audit, recognising that there are further cost pressures in 2021/22.
- We will continue to provide you with sector updates via our Audit, Risk & Governance Committee updates.
- There is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue. We have rebutted this risk for all types of revenue. We have also considered the risk of material misstatement due to fraud related to expenditure and concluded that this is not a significant risk for the Pension Fund.
- There is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. We have therefore identified a significant risk in regard to management override of controls for the audit of the Pension Fund – see page 5 for more information.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Lancashire County Pension Fund ('the Pension Fund') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Lancashire County Pension Fund. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Risk & Governance Committee).

The audit of the financial statements does not relieve management or the Audit, Risk & Governance Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management Override of Controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £105.317m (PY £92m) for the Pension Fund, which equates to 1% of your net assets as at 31/1/2022. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £5.265m (PY £4.6m).

## Audit logistics

Our interim visit will take place in March/April and our final visit will take place in July to September. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit for 2021-22 is still to be confirmed as the PSAA approval process for 20-21 audit fees has only just been finalised. The fee for 2021-22 will be subject to the Pension Fund delivering a good set of financial statements and working papers. The audit fee for the previous year was £39,300.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA 240 Fraud in Revenue and Expenditure Recognition	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>We have also rebutted the presumption of fraud in expenditure recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Lancashire County Council mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Lancashire County Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	<p>The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£3,584 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• evaluate management's processes for valuing Level 3 investments</li><li>• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met</li><li>• independently request year-end confirmations from investment managers</li><li>• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period and</li><li>• in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert</li><li>• test revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records</li><li>• where available review investment manager service auditor report on design effectiveness of internal controls.</li></ul>



# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit, Risk & Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of directly held property
- Valuation of level 2 and level 3 investments

## The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have issued management with a set of questions to be completed and presented to the Audit, Risk & Governance Committee for ratification. We anticipate management will present their responses to the questions to the July Committee.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

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# Other matters

## Other work

The Pension Fund is administered by Lancashire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £105.317m (PY £92.0m), which equates to 1% of your net assets as at 31 January 2022.

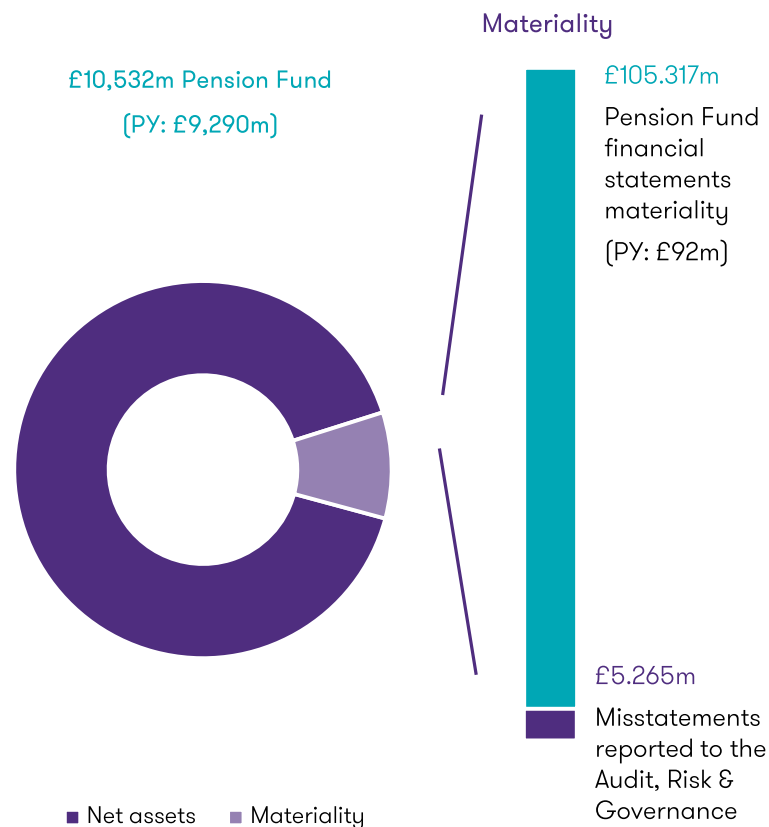
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit, Risk & Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Risk & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £5.265m (PY £4.6m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Risk & Governance Committee to assist it in fulfilling its governance responsibilities.

## Net assets at 31/1/2022



# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite	Financial reporting	<ul style="list-style-type: none"><li>Roll-forward procedures linked to prior year detailed ITGC assessment (design and operating effectiveness)</li></ul>
Altair (Hosted by LPP)	Contributions & Benefits payable	<ul style="list-style-type: none"><li>Streamlined ITGC design assessment</li></ul>

# Audit logistics and team



**Sarah Ironmonger, Key Audit Partner and Engagement Lead**

Sarah leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Pension Fund.



**Stuart Basnett, Engagement Manager**

Stuart plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.



**Chris Blakemore, Engagement Incharge**

Chris assists in planning, managing and delivering the audit fieldwork, ensuring that the audit is delivered effectively and efficiently. He supervises and co-ordinates the day to day running of the audit.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In 2018, PSAA awarded a contract of audit for Lancashire County Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £26,310. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 7, in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our fee for the audit for 2021/22 is still to be confirmed as the PSAA approval process for 20-21 audit fees has only just been finalised. The fee for 2021/22 will be subject to the Pension Fund delivering a good set of financial statements and working papers.

## Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Lancashire County Pension Fund Audit	£36,000	£39,300	£TBC
IAS 19 Assurance Procedures	£9,000	£9,500	£TBC
<b>Total audit fees (excluding VAT)</b>	<b>£45,000</b>	<b>£48,800</b>	<b>£TBC</b>



# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	TBC (£875 per assurance letter)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is significantly less than the overall audit fee and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None			

# Independence and non-audit services

## Other fees charged by Grant Thornton UK LLP in relation to Local Pensions Partnership

For transparency, we are disclosing to you that the commercial arm of our firm undertakes the audit of the Local Pensions Partnership, of which Lancashire County Council is one of the two founding members, each holding 50% share of the equity.

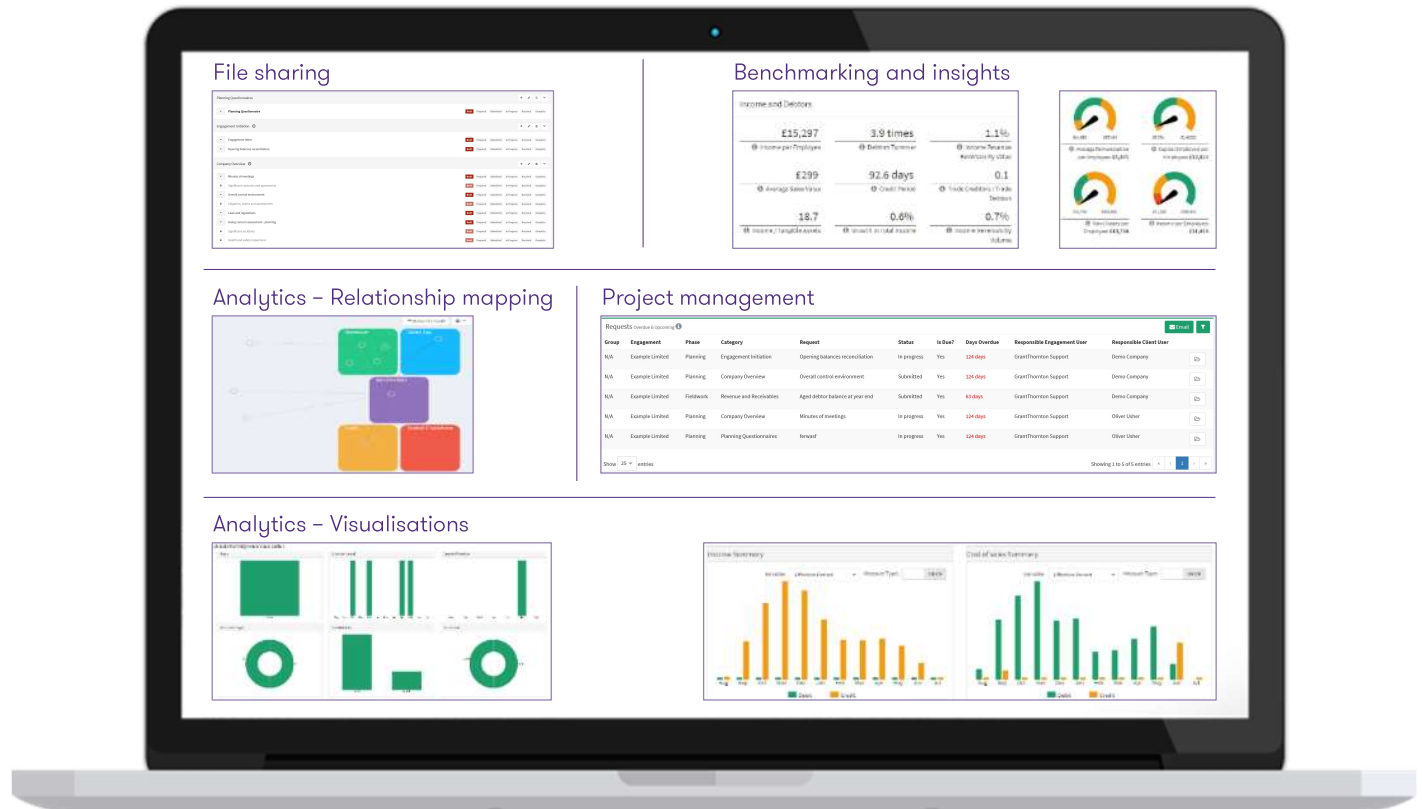
Details of the work performed, and the fees charged, are shown below for transparency purposes. These fees are paid for directly by LPP with no financial impact for Lancashire County Pension Fund or the Council. The below disclosure is purely to make members aware of all fees being paid to Grant Thornton UK LLP by bodies related to Pension Fund. We are satisfied that this work has no impact on our independence for the audit of Lancashire County Pension Fund for the reasons stated below.

Service	Fees £	Threats	Safeguards
Audit related			
Local Pensions Partnership Authorised Contractual Scheme and Investment Funds Structured Audit	TBC (PY £116k)	Self-review Self Interest	This is not considered a significant threat as the audit of Lancashire County Pension Fund and Lancashire County Council is undertaken by a separate audit team from the Public Sector arm of the firm, as opposed to the audit team that delivers the LPP audits. There are different Engagement Leaders in place for the audits, and where we seek to place reliance on the LPP audit, this is treated as an auditor's expert for the purposes of our work. The LPP audit is undertaken in accordance with relevant auditing standards.
Non-audit related			
None			

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

# Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Pension Fund's financial statements, which resulted in one recommendation being reported in our 2020/21 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	<p>As reported in prior Audit Findings Reports, manual journals within the financial ledger are input by approved personnel, but they are not subject to authorisation controls at the time of input.</p> <p>The risk is that the lack of authorisation controls at the time of input creates a higher level of risk of error or manipulation.</p> <p><b>Recommendation</b> Review the authorisation procedures in place over journal input.</p>	<p><b>Management Response</b></p> <p>The same personnel-based controls remain in place as in previous years, as does the lack of incentive for finance personnel to manipulate journals.</p> <p>Whilst we accept there are no preventative controls in place, there are informal detective controls in place, such as monthly reconciliations to the custodians report and quarterly reviews, that would identify errors caused by journals.</p> <p>Any journals for unusual accounting are discussed amongst the finance team and the approach agreed prior to them being posted. A review of users with access to the pension fund general ledger (and therefore ability to post journals) is carried out at least annually.</p>

# Appendix 2: Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

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# Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.



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## Audit, Risk and Governance Committee

Meeting to be held on Monday, 25 April 2022

Electoral Division affected:  
(All Divisions);

## The County Council's Accounts Payable Policy

(Appendix 'A' refers)

Contact for further information:

Khadija Saeed, Head of Corporate Finance, Tel: 01772 536195,

khadija.saeed@lancashire.gov.uk

### Executive Summary

Accounts payable represents the council's financial obligation to pay suppliers for goods or services that have been received or will be received in the future. The control of accounts payable processes therefore represents the council's ability to control and manage its purchasing and payment activities.

The council purchases goods and services totalling around £2.2bn per annum. The policy at Appendix 'A' proposes how and under what circumstances the council will purchase and pay for goods and services.

The policy does not affect the council's procurement arrangements, which determine the appropriate framework of suppliers from which purchasing can take place.

### Recommendation

The committee is asked to approve the council's new accounts payable policy, provided at Appendix 'A'.

### Background and Advice

The council purchases goods and services totalling around £2.2bn per annum. The volumes and values by department are summarised in the table below, based on transactions in 2021:

	Number of Invoices	£ Invoices Paid
Adult Social Care, Public Health & Wellbeing	85,856	559,124,912
Education and Children's Services	86,023	550,436,545
Growth, Environment & Transport	148,930	675,388,460
Resources & Office of Chief Executive	12,340	346,010,079
Schools	175,848	83,862,069
<b>Grand Total</b>	<b>508,997</b>	<b>2,214,822,065</b>

In 2013, the council transferred its accounts payable function to One Connect Limited. In 2017, the accounts payable teams were returned to the council and formed part of the council's central finance department.

The accounts payable model that currently exists, in the main is that which was implemented by One Connect Limited. Excluding those payments that are made through line of business systems such as LAS (Liquidlogic Adults' Social Care System) and LCS (Liquidlogic Children's Social Care System), goods and services are ordered and paid through what is known as a R2P (requisition to pay) process.

In summary, this involves a service department raising a purchase requisition, this must be authorised by an appropriate level of manager (step 1). Once the goods/services have been received, the requisitioner must record the receipt against the order (step 2). When the invoice for the goods/service is received from the supplier, this is matched against the order and receipt, then the payment of the invoice is made (step 3).

Steps 1 and 2 are carried out in service departments in local administrative teams such as in Highways and Children's Services. Step 3 is carried out in the central finance function.

This R2P process is a standard one and is the basis of how major finance systems operate, including the Oracle system which is used by the council. The introduction of a stated policy is intended to drive compliance with good practice reducing the scope for:

- Suppliers needing to be paid on 'emergency' payment terms
- Suppliers refusing to supply due to consistently late or delayed payment

It was expected that the proposed accounts payable policy would be implemented following the restructure of the accounts payable team in 2019, however the disruption to normal business during the pandemic has delayed this from taking place.

The policy at Appendix 'A' proposes how and under what circumstances the council will purchase and pay for goods and services. The policy does not affect the council's procurement arrangements, which determine the appropriate framework of suppliers from which purchasing can take place. The R2P model that is the basis of the proposed policy has a number of features that support the council's internal control framework in making payments, some of which are highlighted as follows:

- Goods/services can only be ordered if the order is approved by someone who has an appropriate approval limit;
- Payments will only be made if the goods/services have been received;
- Payments will only be made based on the receipt of a valid supplier invoice having been matched to receipted goods and an appropriately authorised purchase order; and

- Reduces the risk of fraud and error through segregation of duties.

Whilst improving internal controls, it is also expected that the proposed policy will improve capacity within the central accounts payable team, through clarifying workflow arrangements for R2P activity across the organisation. This is expected to, in turn, improve communication with suppliers on payment matters.

The policy also sets out the responsibilities for how non-R2P payments can be made and under what circumstances these would be appropriate. This includes the use of credit cards, debit cards, Paypoint and Imprest accounts.

### Change Management team

A training programme will be rolled out across the council and a helpline put in place so that local administrative teams can be supported to make any adaptations needed to meet the requirements of the new policy.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

The council's internal control processes aim to reduce the risk of fraud and error. Through strengthening internal control, the council may reduce the risk of fraud and error.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



## Accounts Payable Policy

### Scope

Accounts payable represents the council's financial obligation to pay suppliers for goods and/or services (including works) that have been received or will be received in the future. This policy establishes how the council will make payments for its procured goods and services.

This excludes the purchase of services through the Liquidlogic Adult and Children's Social Care systems.

### Lancashire County Council has a 'no purchase order, no payment' policy

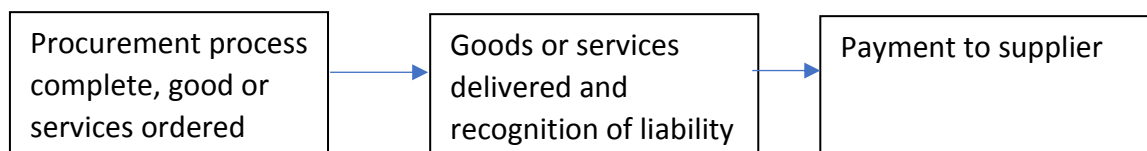
Payments will only be made when all of the following three conditions are met:

- An appropriately authorised purchase order has been sent to the supplier
- The receipt of the goods/service has been recorded against the purchase order
- A VAT compliant supplier invoice is received quoting a receipted purchase order

All these transactions are to be recorded using the council's core finance system (Oracle).

### Stages of the Procure to Pay process

The overall process of purchasing goods and services is shown in the diagram below:



### Ordering goods/services

Purchase orders are documents given to the supplier that identify the nature of the goods/services requested, including the quantity, unit price and description.

The purchase order must be authorised for it to be a valid purchasing instruction. Purchase order authorisation limits are subject to the following financial limits:

	Approval Limit
Director	£10 million
Head of Service	£500,000
Grade 10-12	£250,000
Requisitioner self-approval	£500

Amounts above £10 million must be approved by the relevant service Executive Director in conjunction with the Director of Finance.

The Head of Procurement will determine the appropriate requisition approval limits for those orders raised by the Procurement Service. A requisition is an internal document sent from a service department to the Procurement Service describing a request to purchase goods, services and/or works. From an approved requisition, a purchase order is created. A purchase order is an external document that will be issued to the supplier to provide key order information from which they can plan and organise delivery.

## Contracting with suppliers

A supplier must commit to:

- Provide goods/services only when in receipt of a valid Purchase Order generated from the council's ordering system.
- Quote the valid Purchase Order number on all invoices or credit notes submitted to the council. Invoices without a valid Purchase Order number will be returned to the supplier.
- Submit directly to the council's Finance Department Account Payable team all invoices and credit notes electronically through any reasonable means requested by the council.
- Provide credit notes for any goods returned or service not delivered.
- Accept all payments by BACS.
- Where feasible, and in discussion with the council, provide electronic catalogues of goods/services provided to simplify purchasing.

## Supplier Invoice

A valid supplier invoice will contain the following details:

- Supplier name
- Full Postal Address
- Document Type (Invoice, Credit)
- Unique Invoice Number
- Tax point date
- Amount before tax
- Purchase Order Number
- VAT amount
- Amount after tax
- Description of goods/service
- Quantity
- Unit Price
- Freight (if applicable)
- Currency
- VAT registration number (if applicable)
- Company Registration Number (Limited Companies)
- Payment Terms

- Bank Details (Bank, Account Number and Sort Code), Payee Name if Factored
- Contact details for invoice queries

Where payments are to be made in foreign currency denominations the settlement date must be identified if required.

### Payment Terms and Conditions

Unless contractually committed to other terms, all valid invoices will become due for payment 30 days after receipt. Where contractual clauses are agreed which vary the terms of payment, these will be honoured.

The council reserves the right to withhold payment where the goods/services have not been provided in accordance with the contract. The council expects its suppliers to pay any sums due to sub-contractors promptly and within a period not exceeding that set out above.

### Payment

The council will make payment to suppliers by BACS transfer. Payment will be made within the suppliers contracted credit terms as measured from the date of receipt in the council's Finance Department Accounts Payable team.

### Urgent payment procedure

Where a payment for the purchase of goods/services is required to be made urgently due to the absence of an appropriately receipted purchase order or in advance of credit terms.

The urgent payment must be authorised by an appropriate Head of Service by email. In situations of persistent use of the urgent payment procedure the Director of Finance may determine to levy a £100 processing charge.

## Alternative Payment methods

Where payments are to be made that do not relate to a material purchase of goods and/or service, the following alternative payment methods are available. Authority for use is subject to the agreement of the Director of Finance together with the appropriate Executive Director:

### Payee

For payment to private citizens (not companies) for the reimbursement of costs that they have incurred on behalf of the county council. A maximum of £1,000 per person per annum is applicable. These payments will be made as a direct payment through the council's finance team when the request is received from an authorised staff member.

## Transfer Payments

For payments to public bodies or partner organisations as directed by law, legal direction or formal contractual agreement. These payments will be made as a direct payment through the council's finance team when the request is received from an authorised staff member.

## Credit Card

For ad-hoc spend in pursuit of delivering council services. Must not be used for personal expenses or administrative expenditure.

Credit cards may be attributed to:

- Individual employee
- Group of employees

Credit cards will be subject to a person specific and transaction level financial limit, as agreed between the Director of Finance and the relevant Head of Service.

## Cash/Cash equivalent

For ad-hoc spend in pursuit of delivering council services. Must not be used for personal expenses or administrative expenditure. The following tools are available to access cash/cash equivalent payment:

- Paypoint
- Debit card
- Imprest account

These methods will be subject to a person specific and transaction level financial limit, as agreed between the Director of Finance and the relevant Head of Service.



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

Meeting to be held on Monday, 25 April 2022

Electoral Division affected: (All Divisions);
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## **Corporate Risk and Opportunity Register - Quarter 4 Update**

(Appendices 'A' – 'B' refer)

Contact for further information:

Paul Bond, Tel: 01772 534676, Head of Legal, Governance & Registration Services,  
paul.bond@lancashire.gov.uk

### **Executive Summary**

This report provides an updated (Quarter 4) Corporate Risk and Opportunity Register and Summary Risk Profile for the Committee to consider and comment on.

### **Recommendation**

The Committee is asked to:

- i) Note the updated Corporate Risk and Opportunity Register as set out at Appendix 'A'; and
- ii) Note the updated Summary Risk Profile, at Appendix 'B'.

### **Background and Advice**

#### **Risk Management Framework**

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. An authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. Failure to develop and maintain a Corporate Risk and Opportunity Register means the council would be negligent in its responsibilities for ensuring accountability and the proper conduct of public business.

#### **Quarter 4 Update**

The risks and opportunities have been updated using information provided through directorate risk registers and by individual Directors. The main changes are as follows:

- The removal of the risk relating to Special Educational Needs and Disability (SEND) following the assessment of improvement in September 2021; and

- Family safeguarding – the risk confidence RAG rating for this risk has changed from green to amber. An audit identified that there was some inconsistency in the quality of workbooks completed by social workers. Steps have been put in place to improve practice and additional performance monitoring has also been implemented.

The updated register is provided at Appendix 'A' and the amended risk profile summary at Appendix 'B'. A summary of the risks and opportunities is set out below:

## **Corporate Risks**

### **CORP1 – Reshaping the County Council**

This risk remains on the register but has been updated to reflect the current position. Whilst this risk still focuses on ensuring the council has the capacity and skills to ensure it is sufficiently innovative/radical to transform services at the required pace to achieve the scale of change needed to deliver a balanced budget, the focus is now on:

- The change programme including capacity to deliver
- Our ways of working
- Improved partnership working
- A new County Council
- Financial Sustainability

There is progress across all the above workstreams.

### **CORP2 – Family Safeguarding Model**

Work continues to implement the new Family Safeguarding model to ensure children and families receive timely and effective support. However, due to some inconsistencies in practice, steps have been taken to rectify this and additional monitoring has been put in place.

### **CORP4 – Integration & Innovation**

This responds to the Government's legislative proposals for greater collaboration across the health and social care sector. Adult Social Care and Health Partnership Board has agreed a joint work programme. Engagement with members and senior officers is taking place.

### **CORP5 – ICT Provision**

This risk focuses on the transition from Oracle R12 to Oracle Fusion, the use of data to plan and improve service provision and improving the council's core systems to promote innovation and implement best practice.

### **CORP6 – Covid 19 Impact on Services & Communities**

This risk focuses on the council's response to the pandemic and the demand the response has put on both staff and service delivery. Parts of the organisation are still responding to the crisis whilst others have returned to business as usual as part of the recovery. A phased return/reopening to the office has taken place.

## **CORP7 – Impact on Community & Services**

The demand for client-based services continues to increase so there is a risk that this may result in increased budget pressures and poor outcomes for those people in receipt of our services.

### ***Opportunities***

#### **CO1 – Strengths Based Working**

New ways of working in Adult Social Care because of covid being a catalyst for change. The 'lessons learned' have provided a platform for future ways of working. We have made a significant number of changes that we will endeavour to maintain.

#### **CO2 – Environmental Improvements**

Reduce the authority's Carbon Footprint and reduce impact on air quality from operations especially in urban areas to improve health outcomes.

### **Pension Fund Risks**

All known current risks are being effectively managed by the Fund now. However, an unexpected new risk has emerged this quarter because of the conflict between Ukraine and Russia. Steps have been taken, as a matter of priority, to mitigate the small potential investment risks, the potential risk to cyber security, and to ensure that the Fund meets all requirements in relation to Government mandated sanctions. The risk has been thoroughly assessed and all mitigation actions have been carried out. The new risk will now be managed on an on-going basis according to the Fund's risk management process.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. An authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. Failure to develop and maintain a Corporate Risk and Opportunity Register means the council would be negligent in its responsibilities for ensuring accountability and the proper conduct of public business.

## List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

## Lancashire County Council Corporate Risk & Opportunity Register 2021/22 Q4

Risk ID Corp 1 – Reshaping the County Council: Our Improvement Journey		Current risk score: 16		Target Risk Score: 9
<b>Risk Description</b> <ul style="list-style-type: none"> <li>That the council will not be sufficiently radical or innovative to transform services at the required pace to achieve the scale of change needed over the next 12 months and beyond</li> <li>Inability to secure sufficient resource (capacity) across the organisation to deliver on some areas of the Improvement Journey due to competing priorities and the need to prioritise capacity towards ongoing COVID-19 response and recovery.</li> <li>Risk of not having a joined up, cohesive, corporate wide LCC change programme with CMT oversight and appropriately allocated resources.</li> <li>Risk of multiple front doors with multiple gatekeepers to initiate change – Digital Services,</li> </ul>	<b>Risk Consequences</b> <p><b>Capacity</b></p> <ul style="list-style-type: none"> <li>Inability to deliver full programme of staff and customer experience improvement</li> <li>Inability to identify improvement opportunities that could contribute to service efficiencies / improved outcomes</li> </ul> <p><b>Change programme</b></p> <ul style="list-style-type: none"> <li>Priority change activities are not happening as quickly as they could/should, and as a consequence, the benefits for citizens/staff are not being realised as soon as they could be.</li> <li>Resources are not focused on the priority change activities; and the competing demands on resource time results in focus being across too many initiatives and therefore the delivery is not as effective or efficient as needed.</li> <li>There are financial costs for LCC, either for additional resources or delayed benefit realisation, as a consequence of the current approach, with the potential to failure to deliver key programmes.</li> </ul> <p><b>Our ways of working</b></p> <ul style="list-style-type: none"> <li>Our future workplace model does not optimise the performance of our people, places, processes and technology. We are unable to leverage the best of</li> </ul>	<b>Risk Owner</b> Corporate Management Team (CMT) / Director of Organisation Development & Change  <b>Target date</b> March 2022/Ongoing	<b>Current Likelihood</b> Major (4)  <b>Target Likelihood</b> Possible  <b>Target Risk Confidence</b> <div style="background-color: orange; width: 50px; height: 20px; margin: 5px 0;"></div>	<b>Current Impact</b> Major (4)  <b>Target Impact</b> Moderate

<p>Customer Access, operational services etc. This leads to:</p> <ul style="list-style-type: none"> <li>• A lack of strategic prioritisation, sequencing and link to organisational objectives</li> <li>• Too many competing asks</li> <li>• Silo working approach</li> <li>• Inconsistent approach to prioritisation and delivery of change projects</li> </ul> <ul style="list-style-type: none"> <li>• Inability to deliver a balanced budget post 2023/24</li> </ul>	<p>what is possible today and continuously improve &amp; adapt in response to future challenges.</p> <ul style="list-style-type: none"> <li>• Inability to deliver full programme of staff and customer experience improvement</li> <li>• Inability to identify improvement opportunities that could contribute to service efficiencies / improved outcomes</li> </ul> <p><b>Improved Partnership working</b></p> <ul style="list-style-type: none"> <li>• Unable to build on the improved partnership working that has been a key feature of our response to the pandemic. The inability to build better alliances with our partners may have a detrimental impact on the outcomes for the people of Lancashire.</li> </ul> <p><b>A New County Council</b></p> <ul style="list-style-type: none"> <li>• County Councillors do not have the support they need to fulfil their roles within both the County Council and their communities.</li> </ul> <p><b>Financial Sustainability</b></p> <ul style="list-style-type: none"> <li>• Change opportunities may be missed that result in the council not meeting the needs of service users</li> <li>• Services become unsustainable and we cannot fulfil our statutory duties</li> <li>• Insufficient reserves</li> <li>• Unable to meet savings targets</li> <li>• External intervention if the council is unable to deliver a balanced budget in future years</li> <li>• Due to the pandemic there have been significant delays in the delivery of savings</li> </ul>			
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<p><b>Current Controls</b></p> <p><b>Capacity</b></p> <ul style="list-style-type: none"> <li>• "Front Door to Change" designed and implemented to support prioritisation &amp; allocation of resource for change across organisation.</li> <li>• Core roles appointed to lead on the major elements (Staff Experience Lead, Customer Experience Lead, Analysis &amp; Design Lead &amp; PM Lead) who will drive and monitor progress against critical elements.</li> </ul> <p><b>Change Programme</b></p> <ul style="list-style-type: none"> <li>• Detailed PMO roadmaps developed with Adults, ECS and PH, and resourcing issues resolved.</li> <li>• Director of OD &amp; Change involvement in LCC change programme.</li> </ul> <p><b>Our ways of working</b></p> <ul style="list-style-type: none"> <li>• Improvement Journey priorities aligned with corporate priorities, subject to regular review by Strategic Improvement Board</li> <li>• Staff Experience <ul style="list-style-type: none"> <li>○ Staff Experience Board established, with plan in place for priority outcomes &amp; deliverables for the next 12 months</li> </ul> </li> <li>• Values &amp; Behaviours developed and disseminated</li> <li>• Customer Experience: <ul style="list-style-type: none"> <li>○ Customer Experience SRO appointed and funding in place to recruit customer experience lead</li> </ul> </li> <li>• Programme governance: <ul style="list-style-type: none"> <li>○ Head of Improvement appointed to drive Improvement Journey programme</li> <li>○ Corporate Programme Office transferred to Director of OD &amp; Change to support alignment of capacity &amp; focus with agreed strategic &amp; Improvement Journey priorities</li> </ul> </li> <li>• Data &amp; Insight: <ul style="list-style-type: none"> <li>○ Adoption of Power Business Intelligence and agreement that it will become our core business analytics tool</li> </ul> </li> <li>• M365 landed – new tools and tech allowing flexible working</li> </ul>	<p><b>Control Owner</b></p> <p>Director of Organisation Development &amp; Change</p>
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- Significant programme of review of HR policy and procedure underway influencing flexible working and supporting desired new ways of working
- Leadership and management development offer in place and evolving to meet needs of new ways of working
- Budget allocation agreed for recruitment of core team to develop & monitor IJ programme
- Development of framework to create "Front Door to Change" in order to agree priorities, allocate appropriate resources
- The council has a number of work streams that support the corporate strategy and our ways of working e.g. digital connectivity: inequalities workshops etc

**Improved Partnership Working**

- Through the refreshed corporate strategy, we will set out the county council's vision and approach, but we will also acknowledge that we cannot achieve this on our own. We will adopt a flexible approach to partnerships that will allow us and the people and businesses of Lancashire to respond to the needs of the county, in a way that benefits everyone.
- We are maintaining a number of the joint/strategic decision-making groups e.g. Adult Social care and Health Partnership (Formerly ASC cell), OOH cell to build on the collaborative ways of working
- These joint boards have decision making ability and will feed into the new Strategic Commissioning Board

**A New County Council**

- All administrative procedures relating to county councillor appointments completed.
- Induction programme completed
- All councillors supplied with appropriate IT/telephony equipment

**Financial Sustainability**

- Updates provided to Cabinet through the money matters reports covering in-year financial position and medium-term financial strategy on a quarterly basis
- Directorate Leadership Teams (DLT's) meet regularly and have a monthly focus on financial position and savings delivery chaired by the relevant Executive Director
- Programme Office is supporting the overall programme of savings activity

Corporate Management Team

Director of Corporate Services

Chief Executive & S151 Officer / Director of Finance



- Financial Benchmarking information (with other County Councils) produced and reviewed annually as a basis for identifying those service areas with most scope for further efficiencies
- Continue to monitor the impacts of price changes via our regular monitoring activity updating our forecast outturn and the MTFS
- Continue to work with staff to develop new options savings options and revisit options
- Continue to seek out, learn from and adapt services to follow best practice

**Mitigating Actions**

**Capacity**

- Continue to recruit to remaining positions and key matrix roles (including Change Hubs)
- Regular engagement with CMT to understand capacity challenges and prioritisation requirements
- Identify opportunities for realignment of roles / activities in complementary areas to support IJ delivery, including Directorate change hubs which will help to identify, prioritise & deliver priorities using the full range of available resources.
- Develop resource profile for activity in scope of IJ and identify any potential shortfalls with associated options / costings for filling gaps
- Implement "Front Door to Change" framework and recommended actions including mapping of change capacity & demand, and prioritisation across directorates.

**Change Programme**

- Develop a joined up, cohesive view of all change activity.
- Support CMT to have greater visibility and discussion on the entire change programme enabling informed strategic decision making from CMT and appropriate resource allocation.
- Agree governance which will allow effective prioritisation and sequencing of change activity at a corporate level.

**Our Ways of Working**

- Link values & behaviours to performance & development discussions
- Recruit Staff Experience Lead to lead implementation of staff experience programme deliverables

**Mitigation Owner**

Director of Organisational Development & Change

- Ensure linkage between Ways of Working programme and Corporate Asset Management, use learning from Ways of Working to shape asset strategy to identify and deliver options for asset optimisation priorities and Introduce new staff survey / engagement approaches to improve data, insight and understanding of staff experience
- Establish corporate Data and Insight Board with remit to identify priority requirements and develop solutions

**Improved Partnership Working**

- Improved Partnership working is an explicit cross cutting theme within the Corporate Strategy
- Adult Social Care is continuing to feed into the county council's position on the levelling up agenda
- Exec Director and Unitary Directors of Adult Services continue to highlight the importance of Adult Social Care at strategic health led discussions
- Develop options for joint commissioning of learning & development to support systems leadership across key partners

**A New County Council**

- Member development programme in place
- Overview & Scrutiny work programme developed
- AGM & appointments to Cabinet & all committees
- Review of constitution

**Financial Sustainability**

- DLT's review progress and are each chaired by the relevant Executive Director
- Revenue position includes a planned contribution from reserves to support savings delivery and the 2021/22 funding gap
- Savings plans have been subject to review as part of the budget monitoring process

Corporate Management Team

Director of Corporate Services

Chief Executive & S151 Officer / Director of Finance

<p><b>Progress:</b></p> <p><b>Capacity</b></p> <ul style="list-style-type: none"> <li>• Recruitment to core team complete; phase 2 recruitment underway. "Front Door to Change" design work &amp; key engagement completed.</li> <li>• Resource profile for Change hubs and benefits realisation teams submitted for CMT and cabinet consideration</li> </ul> <p><b>Change Programme</b></p> <ul style="list-style-type: none"> <li>• AMEO consultants' recommendations for single front door and Gateway approval process endorsed by CMT.</li> <li>• Upgraded programme management system procured and piloted.</li> <li>• High level action plan to implement the single front door and gateway approval process has been developed; progress has stalled due to staff absence and ongoing covid impacts - additional support requested from Ameo to enable implementation</li> <li>• Support commissioned to progress next steps on Strategy &amp; Priorities action plan from C&amp;S; includes re-establishment of SIB and associated governance to provide CMT with joined up view and decision-making route</li> </ul> <p><b>Our ways of working</b></p> <ul style="list-style-type: none"> <li>• Supported pilot return to offices from early autumn, with key office sites reopening from Oct 2021; work ongoing to prioritise individual services' return to offices and appropriate timelines</li> <li>• Range of flexible spaces offered in CH complex to meet identified needs of services, using a single agile work style; desk and space booking pilot completed</li> <li>• Flexible working policy approved with additional supporting policies under development</li> <li>• Ongoing engagement with cabinet to ensure political support for progress</li> <li>• Customer experience board established</li> </ul> <p><b>A New County Council</b></p> <ul style="list-style-type: none"> <li>• Political Governance Working Group to convene to consider aspects of the constitution</li> <li>• Independent Remuneration Panel have reviewed member allowance scheme and have reported recommendations to Full Council</li> </ul>		
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- Discussions taking place with political groups to improve communications with members on key issues and a member survey to take place
- Member development programme in place with all core and committee training delivered. Programme of bite sized briefings in place together with Vodcasts
- Member Development Working Group convening shortly
- Guidance and training on personal safety has been delivered to all members

**Improved partnership working**


- Discussions with partners continue to focus on more joined up approaches and opportunities to improve outcomes and save money
- Adult Social Care and Health Partnership Board continues to build on benefits of joint working
- Continue the work towards the development of strengthened partnership working through a joint long term strategic plan and a County Deal for Lancashire
- Support Lancashire Leaders to strengthen governance and engage with Government with a unified voice.
- Discussions with other Authorities and utilizing contracts. e.g., Electrical connections through AGMA Framework

**Financial Sustainability**

- Further savings to be identified to reduce the future requirement from reserves. This will be achieved ideally through a combination of efficiencies, more effective demand management and income generation but may also involve a reduction in some services. There will be targeted service reviews based on updated benchmarking information which looked at service unit costs compared to other county councils.
- Detailed work will be undertaken to determine the extent to which any of the underspending areas represent structural underspends not yet fully adjusted for within the MTFS for future years
- Overspending areas are also being reviewed to determine the extent that it is recurrent and not reflected in the MTFS
- Prepare for the introduction of a new fair funding formula and 75% business rates retention

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<ul style="list-style-type: none"><li>• Impact of the recent Government 'Build Back Better' on health and social care being assessed</li><li>• Due to receive c£28m of additional grant funding as part of the £1.5bn announced for local government for each of the next 3 years</li><li>• In the main, this additional funding is offset by an increase in demand across client-based services</li><li>• The level of reserves is still sufficient to meet forecast gaps through to 24/25 and beyond</li></ul>		
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Risk ID Corp 2		Title: Family Safeguarding Model		Current risk score: 12		Target Risk Score: 8	
<b>Risk Description</b>		<b>Risk Consequences</b>		<b>Risk Owner</b>		<b>Current Likelihood</b>	
The Hertfordshire Family safeguarding approach does not deliver the expected outcomes		<ul style="list-style-type: none"> <li>Children and families do not receive timely and effective support</li> <li>Needs of children and families escalate, resulting in children coming into the care of the local authority when this could have been appropriately and safely avoided</li> </ul>		Director of Education and Children's Services		Possible (3)	
				<b>Target date</b> March 2022		<b>Target Likelihood</b>	
						Unlikely (2)	
						<b>Target Risk Confidence</b>	
							
<b>Current Controls</b>				<b>Control Owner</b>			
<ul style="list-style-type: none"> <li>Bid successful</li> <li>Diagnostic undertaken by Herts team</li> <li>High level implementation plan developed</li> <li>Appointed to Head of Service lead and practice/systems roles</li> <li>Family safeguarding Group provides oversight, reporting to Keeping Children Safe Board</li> </ul>				Director of Children's Social Care			
<b>Mitigating Actions</b>				<b>Mitigation Owner</b>			
<ul style="list-style-type: none"> <li>Delivery of implementation plan</li> </ul>				Director of Children's Social Care			
<b>Progress:</b>							
<ul style="list-style-type: none"> <li>Family safeguarding teams in place</li> <li>Launch events complete</li> <li>Mechanism to secure adult workers agreed</li> <li>Recruitment to adult workers in progress and good oversight of recruitment</li> <li>Ongoing monitoring of performance</li> </ul>							

Risk ID Corp 4		Title: Integration & Innovation		Current risk score: 20		Target Risk Score: 6	
Risk Description	Risk consequences	Risk Owner	Current Likelihood	Current Impact	Target Likelihood	Target Impact	Target Risk Confidence
<p>Earlier this year, the Department of Health and Social Care published the legislative proposals for a Health and Care Bill. The proposals contained within the white paper '<b>Integration and innovation: working together to improve health and social care for all</b>' sets out a range of reforms due to take effect from April 2022. These include:</p> <ul style="list-style-type: none"> <li>• Making Integrated Care Systems (ICS) statutory bodies</li> <li>• Transferring the functions of Clinical Commissioning Groups to the ICS</li> <li>• Removing competition and changing procurement rules</li> <li>• Seeking to strengthen the voice/influence of local government</li> <li>• Introducing measures to enhance assurance of social care by CQC</li> <li>• Creating a standalone power for Better Care Fund</li> <li>• Encouraging joint appointments of executive directors to support integrated care/working</li> <li>• Strengthening the role of Health and Wellbeing Boards</li> </ul> <p>As mentioned above, several themes are particularly relevant to the future</p>	<p>Lack of clarity on governance during and following the White Paper reforms</p> <p>Uncertainty of health workforce during reforms leading to joint working on programmes / projects not moving forward at the pace needed so as not to lose the excellent progress made during the pandemic in relation to integration, decision making etc.</p> <p>Possible issues relating to finances, particularly if Covid temporary funding is ending as well as current NHS deficit</p> <p>Concerns from social care staff on future assurance inspections by CQC</p>	<p>Adult Social Care in conjunction with the Corporate Management Team and partners</p> <p><b>Target date</b> March 2022</p>	<p>Possible</p> <p><b>Target Likelihood</b> Certain</p> <p><b>Target Risk Confidence</b></p> <div style="background-color: yellow; width: 50px; height: 20px; margin: 5px 0;"></div>	<p>Minor</p> <p><b>Target Impact</b> Major</p>			

<p>working relationship between health and local government, and we will be looking to develop these through 21/22.</p> <p>The government has also said that reforms to social care and public health will be dealt with later in 2021 outside the Health and Care Bill addressed in the white paper, with some minor exceptions. In readiness for this, the County Councils Network simultaneously launched ' The Future of Adult Social Care- Optimised Delivery.</p>				
<p><b>Current Controls</b></p> <ul style="list-style-type: none"> <li>We are maintaining a number of the joint/strategic decision-making groups e.g. Adult Social Care &amp; Health Partnership, OOH cell, to build on the collaborative ways of working</li> </ul>	<p><b>Control Owner</b> Directors &amp; Heads of Service</p>			
<p><b>Mitigating Actions</b></p> <ul style="list-style-type: none"> <li>Joint work programmes agreed between Adult Social Care and Health</li> </ul>	<p><b>Mitigation Owner</b> Directors &amp; Heads of Service</p>			
<p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>Adult Social Care and Health Partnership Board has agreed a joint work programme and work is progressing</li> <li>At a senior level the County Council is involved in the ICP Development Advisory Group (Exec Director) and at the ICS Development Oversight Group (Chief Executive). This is pivotal to ensuing local government context and opportunity is understood and reflected in all plans and priorities</li> <li>Regular Internal health integration meetings (cross directorate) chaired by the Chief Executive to ensure clear and consistent approach to all meetings with NHS</li> <li>Briefings for county councillors involved in NHS meetings is being reinstated. Weekly meetings with lead cabinet members are taking place.</li> </ul>				



Risk ID Corp 5		Title: ICT Provision	Current risk score: 16	Target Risk Score: 8	
<p><b>Risk Description</b></p> <p><b>Oracle R12 to Fusion</b>                      Oracle vR12 supports the heart of the council's people and financial resources. R12 is now end of life and is approaching the end of the final extended support period. LCC have embarked on a programme to replace R12 with Oracle Fusion and associated new processes for managing our money and our people information for 45,000 users.</p> <p>Further risk of challenge to implement Fusion exists when contract novation from BTLS to LCC is executed.</p> <p>Failure to assign resources to the Oracle Fusion Programme will leave LCC without the ability to complete the project on time</p> <p><b>Data</b>                      The organisation fails to use its data resource to good effect for the benefit of Lancashire residents</p> <p><b>Core Systems</b>                      Lancashire has built up a 'technology debt' with regards to its major</p>	<p><b>Risk Consequences</b></p> <p>Should the Fusion Programme fail, major disruption can be expected in the management of the Council's money, suppliers, customers, debtors, creditors, current workforce, retired workforce and impact for other beneficiaries of the system outside of LCC specifically with payroll services.</p> <p>Contract award to Oracle has been made via BTLS and novation challenge could halt project progress without the ability to extend the programme end date past March 2022</p> <p>Un-optimised service provision with failure to plan service intervention and service delivery at appropriate times.</p> <p>These line of business (LOB) systems restrict the council from operating efficiently and hamper teams from innovation, automation and modern best practice.</p>	<p><b>Risk Owner</b></p> <p>Director of Strategy &amp; Performance / Director of Finance</p> <p><b>Target date</b>                      March 2022</p>	<p><b>Current Likelihood</b>                      4</p> <p><b>Target Likelihood</b>                      2</p> <p><b>Target Risk Confidence</b></p> <div style="background-color: yellow; width: 50px; height: 20px; margin: 5px 0;"></div>	<p><b>Current Impact</b>                      4</p> <p><b>Target Impact</b>                      4</p>	

<p>systems which help the organisation function in a modern, efficient, effective way.</p>				
<p><b>Current Controls</b></p> <p><b>Oracle Fusion</b> Fusion Project Board established, SRO identified, programme under active management of the Chief Digital Officer.</p> <p><b>Data</b> Some management information is provided through appropriate Service Management Line of Business Systems. These systems are supported through best practice reporting and through the contribution of the Business Intelligence Team. This team are a stretched resource and cannot cover all data for the County Council.</p> <p><b>Core Systems</b> Controls for this are informal and exist on a basis of replacing the systems at the very end of their life as they are about to, or following, the data they go out of support by their vendor.</p>		<p>Chief Digital Officer</p> <p>Director of Strategy and Performance</p> <p>Director of Strategy and Performance</p>		
<p><b>Mitigating Actions</b></p> <p><b>Oracle Fusion</b></p> <ul style="list-style-type: none"> <li>• Replace R12 with Oracle Fusion</li> <li>• Let contract with Oracle</li> <li>• Appoint Systems Integrator and deliver technical implementation</li> <li>• Appoint Change Partner and with them adopt new processes for all Fusion capabilities</li> <li>• Appoint Data migration partner and secure LCC resource to ensure data is R12 is cleaned and migrated in a timely manner to Fusion</li> </ul> <p><b>Data</b></p> <ul style="list-style-type: none"> <li>• New head of data has been recruited and is in post. The post supports the needs of the organisations data requirements and to ensure they are designed and architected in optimal ways to support service delivery and customer experience.</li> </ul>		<p><b>Mitigation Owner</b></p> <p>Oracle Fusion Programme Manager</p> <p>Chief Digital Officer</p>		

<ul style="list-style-type: none"> <li>• Next phase of planned work is to develop DaaS (Data as a Service) for Business Intelligence and the creation of Data Catalogues alongside a Master Data Management System which provides a single view of multiple systems</li> </ul> <p><b>Core Systems</b></p> <ul style="list-style-type: none"> <li>• The appointment of the Chief Digital Officer, the insourcing of the IT function and the creation of a Head of Architecture are helping to support the development of improved ways of working. The Head of Architecture is responsible for having agreed roadmaps for maintain products either via a SaaS (Software as a Service) route or regular updates products to enable business department to have LOB systems that provide the support for their respective function. The top SaaS product is the migration to Oracle Fusion which is the subject of a separate risk. A Head of Digital Business Engagement post has also been created and filled to ensure that digital services understand and help to deliver service needs.</li> </ul>	<p>Chief Digital Officer</p>
<p><b>Progress:</b></p> <p><b>Oracle Fusion</b></p> <ul style="list-style-type: none"> <li>• End User engagement sessions being set up for the New Year.</li> <li>• Identifying 'Hard to Reach' users in service areas</li> <li>• Business Readiness surveys to be completed</li> <li>• Business Readiness Assessments to be completed for each service area</li> <li>• Communication cascades being supported</li> </ul> <p><b>Data</b></p> <ul style="list-style-type: none"> <li>• Post in place as part of the new Digital services structure. Further progress through the corporate adoption of a data strategy and putting the procedures in place to review data on all appropriate inbound Digital Requests.</li> </ul> <p><b>Core Systems</b></p> <ul style="list-style-type: none"> <li>• All senior management posts in the service are appointed with staff in place.</li> </ul>	

Risk ID Corp 6		Title: Covid-19 Impact on Services & Communities	Current risk score: 20	Target Risk Score: 12	
Risk Description	Risk Consequences	Risk Owner	Current Likelihood	Current Impact	
<p>Inability to adequately respond to the demands placed on Services as a consequence of increasing demands, capacity issues, and reduced resilience of staff.</p> <p>Staff across all services have worked in crisis response mode from the outset of the pandemic. Alongside this business as usual work is being undertaken across many services.</p>	<p>Inability to meet service requests as demand outstrips current capacity because staff are dealing with both pandemic and BAU issues</p>	<p>Corporate Services leadership in conjunction with the Corporate Management Team and partners</p> <p><b>Target date</b> March 2023</p>	Certain	Major	
	<p>Staff fatigue - risk of reduced energy levels to meet the constantly evolving demands and pressures. Risk of burnout.</p> <p>A reduction in staff availability/productivity due to the effects of the pandemic across services eg an increase in infection rates, local restrictions, child care/family/personal issues etc</p> <p>Risk to creativity and innovation with regard to developing and maintaining high quality outcomes for service clients</p> <p>Potential reduction in productivity and throughput will increase pressures</p> <p>Potential to negatively impact on internal and external customer/partner relationships</p> <p>Potential for increasing costs, loss of income and pressure on budgets as some services are having to increase resources.</p>		<p>Likely</p> <p><b>Target Risk Confidence</b></p> <div style="background-color: #FFD700; width: 50px; height: 20px; margin: 5px;"></div>	Moderate	

<p><b>Current Controls</b></p> <ul style="list-style-type: none"> <li>• Corporate Emergency Response Team (CERT) continues to meet at least fortnightly and considers current situation reports</li> <li>• Contingency plans are available to be activated as needed which would primarily stand down business as usual/non-critical work and where possible, redeploy staff to support priority work areas</li> <li>• Ongoing situation monitored at leadership team meetings</li> <li>• Increase capacity through sourcing additional resource</li> <li>• Ensure all staff take their annual leave entitlements</li> <li>• Team managers keep the focus on staff wellbeing in 1:1s and team meetings</li> <li>• Ensure a sensible and reasonable approach to further changes, to support staff to meet the challenges</li> </ul>	<p><b>Control Owner</b> Corporate Management Team</p>
<p><b>Mitigating Actions</b></p> <ul style="list-style-type: none"> <li>• Mitigating actions for loss of staff encapsulated for each individual service within the business continuity arrangements found in the Service Resilience Plans (SRPs); this includes identification of critical posts/functions, alternative arrangements for critical posts/functions, critical function analysis, specific responses in relation to Pandemic flu</li> <li>• These arrangements need to be viewed in line with the Corporate Emergency Response Plan (CERP) which provides the incident management and wider support structures in place.</li> <li>• Continue to monitor capacity and demand levels</li> <li>• CEX, ED, Director and HofS to continue to share messages of thanks and appreciation</li> <li>• Raise issues at CERT if corporate guidance/action required</li> <li>• Consider the need to stand down business as usual to focus on the pandemic response or seek financial support to increase resources to maintain overall continuity of services</li> <li>• Covid- 19 incident management</li> <li>• Vaccination programme</li> <li>• Local contact tracing</li> <li>• Community Testing/workplace testing</li> </ul>	<p><b>Mitigation Owner</b> As above</p>

- Monthly staff webinars led by Directors to continue to share messages of thanks, appreciation and enable staff to showcase their best practice and fantastic response to the pandemic
- Staffing issues and in particular staff welfare is a constant feature in leadership meetings

**Progress:**

**Outbreak Management**

- Overall, controls are in place and functioning well at this point in time
- Lancs-12 testing strategy refreshed to prioritise care homes.
- Care sector levels vaccination to be tracked through IMT meetings.
- Lancashire now part of a principle trial for anti-viral, via the Oxford group.
- Local policy to encourage testing and non-attendance for those who are positive/symptomatic.
- Revise 5-step community testing plan
- Given escalating situation regarding infection rates consideration being given to re-establish response rather than recovery. This will potentially mean LRF Business Continuity group to stand back up.
- Continued support for schools
- Vaccination in care settings continues. Using buses as mobile units for targeted areas to promote vaccination campaign, leaflet drops etc. Once resources are identified these will also act as vaccination buses.
- Developing a system for members of the public who don't have access to transport to call a designated line through Customer Access Service who can arrange a taxi and will act as a 'drive-thru' vaccination service. Finalising detail with NHS colleagues.
- Children's Social Workers are now undertaking twice-weekly tests (with EDT testing three times a week to reflect the vulnerability of the public they come into contact with)
- Initial preparations in terms of data collection and archiving in relation to the independent inquiry recently announced by the government
- Support vaccination programme – HR protocol to be published/SMART team continuing to support community engagement awareness raising

- Additional information added to resilience plan on Vaccine Appointment Booking in January 2022.
- Corporate Emergency Response Plan has been reviewed, considering learning from COVID19 as well as all the other responses to date. Service Response Plans are also being updated.
- Request for volunteers to support the NHS with administration roles went out last week. Great response from LCC with 67 volunteers coming forward. 36 have gone forward to support the vaccination programme and the activity has now been paused to allow NHS to train and onboard those volunteers first
  
- **Vaccination**
  - more than double the doses of vaccines were delivered in Lancashire week before Christmas. The largest increase was in the 18-39yrs age bracket.
  - Also noted that staff are now able to self-certify sickness for up to 28day to relieve pressure on GP surgeries.
  - Public Transport are continuing to work with transport providers to increase the offers of free transport to vaccinations, some providers are supporting but take-up has been quite low from the providers.
  
- **Testing programme:**
  - Continuing link with Districts regarding local strategies for now until December and then on to March 2022
  - Rolling out testing to Afghan refugee settlement programme
  - District Advice for contain functions (tracing, testing and community engagement) will be going to Health Protection Board this week
  - Continuing to support districts with Out of Hours contact tracing
  - Currently have a good stock of PCR and on-site Sure Screen tests. Had difficulties in getting hold of Lateral Flow Devices. Currently without LFD test kits but are expecting a delivery before new year. Now only getting the pack of 20 kits rather than the pack of 7 kits.

- All libraries have been restocked and priority is now to work with partners to plug any major gaps across the county.
- From an LCC perspective, increased stocks within Adult Social Care and Highways teams are getting the last of the 7-kit packs.
- Lancashire Constabulary and a local prison that has an outbreak have also been supplied with additional kits.
- Need to consider any LCC Services that need any additional stocks for the New Year.

○

- **Support safe return to buildings** (in line with Government guidance):
  - Phased return/reopening has been taking place. Implementing the end of "Plan B" restrictions and the move back to "Plan A".
  - Documents to support on risk assessments
  - Key messages being produced on do's and don'ts when returning to office

- **Recovery Co-ordination**

- Focus is now on business continuity and the impact from high staff absences will have on local public services including NHS, social care, emergency services and utilities.
- Current modelling suggests that significant numbers of NHS staff could be absent from work, not necessarily sick but absent and this could be significant but requires further modelling.  
Sickness absence is going to be significant for all sectors including public transport and critical infrastructure such as utilities. There may also be impacts due to supply chain issues and reduced number of drivers available.
- The recovery strategy is being reviewed and updated in-line with the potential impact on business continuity.
- Intel cell is gathering data on staff absences.



Risk ID Corp 7	Title: Demand Impact on Community & Services	Current risk score: 16	Target Risk Score: 12	
<p>Risk Description</p> <p>Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services</p>	<p><b>Risk Consequences</b></p> <p><b>Adult Social Care</b>            Significant risk of provider failure, particularly for residential care and day service providers</p> <p>Further waves of Covid exacerbate these issues</p> <p>Risk of reduction in quality standards/not meeting CQC requirements and potential for an increase in safeguarding issues</p> <p>Potential for increased costs for the county council in maintaining provider income levels to 'shore up' the market and protect people's homes</p> <p>Some care home providers taking people for the 6 weeks 'discharge to assess' period at inflated rates. Risk to families if the placement needs to continue or very high 3<sup>rd</sup> party top ups, and to LCC if no other placement available and the top up needs to be absorbed by the council.</p> <p>Providers may increase their fees to maintain their ability to operate/generate sufficient returns. Could result in increased costs for the county council and for self-funders</p> <p>Risks for in-house services – ability to continue to operate/compete in the wider market</p>	<p><b>Risk Owner</b></p> <p>Adult Social Care leadership</p> <p><b>Target date</b></p> <p>December 2022</p>	<p><b>Current Likelihood</b></p> <p>Likely</p> <p><b>Target Likelihood</b></p> <p>Possible</p> <p><b>Target Risk Confidence</b></p> <div style="background-color: yellow; width: 50px; height: 15px; margin: 5px 0;"></div>	<p><b>Current Impact</b></p> <p>Major</p> <p><b>Target Impact</b></p> <p>Major</p>

	<p>Potential for increased complaints and less choice. Increase in number of safeguarding alerts</p> <p>People may not be receiving services in a setting assessed as appropriate. Families and care providers are under pressure and are reporting being concerned that they are not able to safely manage risk, leading to increased potential harm or death. Increased risk to others in residential care settings.</p> <p>As yet, the future demand for such services is difficult to quantify. Some aspects of daytime support /accommodation-based services may require complete redesign.</p> <p>People are waiting many days for MH beds that have been recommended by Adults Mental Health Practitioners (AMHPs) and medics, leaving people in the community or in residential care who have been assessed as requiring detention under the Mental Health Act</p> <p>Puts families under more pressure and risks people being admitted to hospital, residential care or being placed out of Lancashire.</p> <p>Puts pressure on the budget as we are not able to fill voids in a timely way, meaning that there are supported living settings with empty rooms rendering the care therein less cost effective.</p>			
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<ul style="list-style-type: none"> <li>• Ongoing consideration of Covid impact</li> <li>• Provide input into the developing NHS operational plan for CAMHS service developments and be sighted on / support ICS discussions on CAMHS related NHS investment proposals</li> </ul> <p><b>SEND</b></p> <ul style="list-style-type: none"> <li>• Delivery of priorities within the SEND sufficiency strategy</li> <li>• Consulted on Strategy</li> <li>• Ongoing consideration of Covid impact</li> </ul>	
<p><b>Progress:</b></p> <p><b>Adult Social Care</b></p> <ul style="list-style-type: none"> <li>• Quality Improvement Strategy in progress CQC resuming targeted inspections on key areas April 21 onwards</li> <li>• Market Position Statement and Intermediate Care Review on work programme for Adult Social Care &amp; Health Partnership Board</li> <li>• Capital Board have now approved an investment pot for older people's services and an SLA for facilities management, cleaning and catering services is being developed</li> <li>• Compulsory vaccination to be extended to other regulated services which is likely to impact on workforce retention. Therefore, we are actively contacting providers to scope the extent of the impact and collaborating with NHS, ADASS and LGA</li> <li>• Social care reforms will have significant implications for the council as we are expected to equalise fees and pay fair price for care. Therefore, we are working closely with ADASS and CCN to understand and manage. Also taking steps to further uplift fees from April to keep pace with inflationary pressures</li> <li>• Increased demand and anticipate further pressures due to covid legacy. Strengthening market capacity through fee adjustments and active engagement with market plus introduction of other creative alternatives to increase capacity including introduction of personal budgets</li> </ul> <p><b>Children's Social Care</b></p> <ul style="list-style-type: none"> <li>• Early Help Strategy agreed. Delivery is ongoing.</li> <li>• Family Safeguarding launched.</li> </ul>	<p>Director of Education and Skills</p>

- Outreach services expanded.
- Family Group Conferencing evaluation planned as part of national programme, with additional national funding provided. Pilot VCFS provision in place supporting referrals from Children's Social Care Teams and funding agreed to extending service for further 12 months.
- "Where Our Children Live" project reported to Cabinet January 2021 and delivery plan in development
- Shifted block residential provision to establish more for children and young people with most complex needs. Continued focus on step down fostering placements with option to pay retainers to secure provision.
- Rates for Child in Need, Child Protection and Children Looked After all reducing but continued oversight in event of surge in Autumn 2021
- Where our Children Live Capital Bid to DfE successful and will now move to implementation
- Exploring opportunities for further innovation through NW ADCS innovation programme


**SEND**

- Increased Government funding provides some mitigation, but substantial pressure remains
- Additional investment to reduce SENDO caseloads
- Additional inclusion teachers and support workers provide direct support to enable the full-time attendance and inclusion of pupils with EHC plans who are either experiencing difficulties with their mental health that prevents their attendance at school or who are at risk of exclusion.

Opportunity ID: CO1		Title: Strengths Based Working		Current Opp score: 15	Target Opp Score: 20
<p><b>Opportunity Description</b></p> <p>Covid has been a catalyst for a number of positive changes to the way we work.</p> <p>Remote working has enabled people to adopt a more flexible approach to their work/life balance, we have embraced technology as a way of staying in touch with our teams and our service users and providers, we have used people's skills in a more flexible way and have trusted them to get on and do, we have spent far less time in planning and more time in doing, we have maintained 'light touch' governance and stuck to the decisions that we have made, and we have proved to ourselves and our partners that we can continue to provide high levels of customer service and response in a crisis.</p> <p>There are many 'lessons learned' with our partners including our health and district colleagues and we have demonstrated that spending time arguing about 'who pays' is</p>	<p><b>Opportunity Consequences</b></p> <p>The 'lessons learned' have provided a platform for future ways of working. We have made a significant number of changes that we will endeavour to maintain.</p> <p>We will build on the relationships that we have developed with our partners and will continue to take a 'system wide' approach to decision making.</p> <p>We will trust our staff to work at home, but we must be mindful not to disregard the disbenefits of home working and will seek to achieve a more balanced approach when we are able to.</p> <p>We are able to take advantage of technology to improve the way we work and also improve and enhance our service offer.</p> <p>We will pursue the 'joint funding' approach and seek to agree the use of pooled budgets where appropriate.</p> <p>We will maintain the level of engagement that we have achieved with our valued providers. We will move forward at pace our market shaping work and will involve providers and service users at the forefront of our thinking.</p> <p>We have used our staff flexibility. Many of them have stepped forward to take on new roles and have been very</p>	<p><b>Opp Owner</b></p> <p>Adult Social Care leadership</p> <p><b>Target date</b></p> <p>March 2022</p>	<p><b>Current Likelihood</b></p> <p>Certain</p> <p><b>Target Likelihood</b></p> <p>Certain</p> <p><b>Target Opp Confidence</b></p> 	<p><b>Current Impact</b></p> <p>Moderate</p> <p><b>Target Impact</b></p> <p>Major</p>	

<p>unproductive and unhelpful for our citizens.</p> <p><b>Improved Partnership working</b> – responding to the pandemic has highlighted the importance of partnership working and is proof of what can be achieved if we work together. We want to use this as a platform to build better alliances with our partners to deliver improved outcomes for the people of Lancashire.</p>	<p>successful. We have recognised the huge amount of talent and commitment that we have across all of our teams.</p> <p>Many of our lessons learned, new ways of working and innovative approaches to service delivery should enable financial savings to be achieved.</p>			
<p><b>Current Controls</b></p> <ul style="list-style-type: none"> <li>• ASC leadership team continue to seek best practice examples and share learning</li> <li>• Ongoing reviews of services will capture potential financial savings</li> <li>• Discussions with partners continue to focus on more joined up approaches and opportunities to improve outcomes and save money</li> </ul>		<p><b>Control Owner</b> Adult Social Care Directors and Heads of Service</p>		
<p><b>Progress:</b></p> <ul style="list-style-type: none"> <li>• ASC themed discussion on lessons learned/new ways of working. Seeking to build on the positives achieved through the pandemic.</li> <li>• Ongoing discussions with partners</li> </ul>		<p><b>Mitigation Owner</b> As above</p>		
<p><b>Actions to realise:</b> Partners4Change project will build on new ways of working Adult Social Care and Health Partnership Board continues to build on benefits of joint working</p>				



Opportunity ID: CO2		Title: Environmental Improvements		Current Opportunity score: 6		Target Opportunity Score: 16	
<b>Opportunity Description</b> <b>Environmental Improvements (Air Quality, Noise and Safety)</b> <b>Green Fleet</b> <ul style="list-style-type: none"> <li>• Electric Vehicles (EV)</li> <li>• Ultra Low Emission Vehicles (ULEV)</li> <li>• Alternative Fuels (CNG and Hydrogen)</li> <li>• Lower Emission combustion engines</li> </ul>		<b>Opportunity Consequences</b> <ul style="list-style-type: none"> <li>• Reduce Authorities Carbon Footprint</li> <li>• Reduce impact on air quality from LCC operations especially in urban areas by removing or reducing tailpipe emissions of noxious gases and particulates which impact adversely on health.</li> </ul>		<b>Risk Owner</b> Heads of Service P&IT	<b>Current Likelihood</b> 3	<b>Current Impact</b> 2	
				<b>Target date</b> Ongoing	<b>Target Likelihood</b> 4	<b>Target Impact</b> 4	
					<b>Target Confidence</b> 		
<b>Progress to date</b> <ul style="list-style-type: none"> <li>• Replacement of older significantly less environmentally friendly vehicles with newer lower emission vehicles and plant as part of Capital Fleet Replacement Programme (Note latest Euro specification vehicles emit exponentially less than earlier Euro standard vehicles).</li> <li>• Looking at Electric Vehicles (EV's) but ranges and charging remain an issue</li> <li>• Working group formed with Fleet, Property and D&amp;C and proposals being completed for pilot for single dual point 22 KW charging facilities at Bamber Bridge and N65 to trial EV's in Fleet and inform the working group to enable further roll out of infrastructure and EV's within LCC.</li> <li>• Three EV mid-sized vans now in Fleet Services (delivered April 21) which will inform further the feasibility and actions that may need to be considered with a larger roll out of EV and ULEV's; one of the vans will initially be used by user departments and teams on extended trials and to inform of possible changes to working practices and infrastructure requirements to achieve zero emission vehicles in practical operational use.</li> <li>• Investigation and trialling of various EVs (vans and cars) with Parking Services re enabling the use of suitable EV's for the Parking Services operations moving in-house this year.</li> </ul>				<b>Control Owner</b> Heads of Service P&IT Fleet Manager and Property Service			
<b>Actions to realise</b> <ul style="list-style-type: none"> <li>• Corporate Charging infrastructure for Electric Vehicles</li> </ul>				<b>Opportunity Owner</b> Director of Highways & Transport			

**Key to Scores**

	CATASTROPHIC (for risk) OUTSTANDING (for opportunity)	5	10	15	20	25
	MAJOR	4	8	12	16	20
	MODERATE	3	6	9	12	15
<b>IMPACT</b>	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			<b>LIKELIHOOD</b>			

Lancashire County Council Corporate Summary Risk Profile 2021/22

Risk ID	Risk Description	Current Risk Rating	Target Risk Rating	Target Date	Risk Confidence Q1	Risk Confidence Q2	Risk Confidence Q3	Risk Confidence Q4	Direction of travel
Corp1	Reshaping the County Council: Our Improvement Journey	16	9	March 2022/On going					+ve
Corp2	Family Safeguarding Model	12	8	March 2022					+ve
Corp4	Integration & Innovation	20	6	March 2022					+ve
Corp5	ICT Provision	16	8	March 2022					+ve
Corp6	Covid-19 Impact on Services & Communities	20	12	March 2023					+ve
Corp7	Impact on Community & Services	16	12	March 2022					+ve
Opp ID	Opportunity Description	Current rating	Target Rating	Target Date	Opportunity Confidence Q1	Opportunity Confidence Q2	Opportunity Confidence Q3	Opportunity Confidence Q4	Direction of Travel
CO1	Strength based Working	15	20	March 2022					+ve
CO2	Environmental Improvements	6	16	Ongoing					+ve



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

Meeting to be held on Monday, 25 April 2022

Electoral Division affected: (All Divisions);
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## **The Council's Annual Governance Statement 2021/22 and Code of Corporate Governance 2022/23**

(Appendices 'A' - 'B' refer)

Contact for further information:

Paul Bond, Head of Legal and Democratic Services, Tel: 01772 534676

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### **Executive Summary**

The county council is required to produce and approve an Annual Governance Statement which is included in its annual statement of accounts. For the financial year 2021/22 the Annual Governance Statement will again cover the governance arrangements put in place to respond to the coronavirus pandemic.

A draft Annual Governance Statement is presented for the Committee's consideration at Appendix 'A'. However, the Annual Governance Statement will also include the Pension Fund Governance Statement once this is approved by the Pension Fund Committee.

In addition, Full Council in July 2016 approved a new Code of Corporate Governance for the county council that reflected new guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority of Chief Executives (SOLACE). Full Council also agreed that the Code would be reviewed on an annual basis.

Therefore, the Committee is asked to consider the updated Code of Corporate Governance and whether it wishes to recommend any changes to Full Council. The updated Code of Corporate Governance is presented at Appendix 'B'.

### **Recommendation**

The Committee is asked to:

- i) Consider and approve the draft Annual Governance Statement for 2021/22 for inclusion in the council's statement of accounts;
- ii) Note that the Pension Fund Governance Statement, as approved by the Pension Fund Committee, will form part of the council's Annual Governance Statement;

- iii) Note that the Annual Governance Statement will be signed by the Chief Executive and Director of Resources (S151) and the Leader of the Council; and
- iv) Consider the updated Code of Corporate Governance and any amendments it wishes to recommend to Full Council for approval.

## **Background and Advice**

Lancashire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Covid-19**

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. This year, the Covid-19 crisis continued to bring unprecedented challenges for local government and the county council has sought to minimise disruption to the services we deliver.

The county council also needs to ensure that the Annual Governance Statement is current at the time of its publication, so it is essential therefore that the Annual Governance Statement reflects the impact of the Covid-19 pandemic on governance. Therefore, a second conclusion on the adequacy of governance arrangements during this period will be included, to make clear the impact.

### **Pension Fund**

The Chartered Institute for Public Finance and Accountancy (CIPFA) guidance relating to Local Government Pension Scheme Fund Accounts 2020/21 states that in England, where the pension fund accounts form part of the administering authority's statement of accounts, the Annual Governance Statement should also cover the pension fund. Therefore, this year the Pension Fund Governance Statement will be included rather than published as a separate document. The Pension Fund Committee will consider the Pension Fund Governance Statement and, once approved, it will form part of the council's Annual Governance Statement that is published in the statement of accounts.

## **Annual Governance Statement**

The Committee is asked to consider and approve the draft Annual Governance Statement presented at Appendix 'A', to be included in the council's annual statement of accounts for 2021/22. The Committee is also asked to note the arrangements in relation to the Pension Fund Governance Statement, as set out above.

The final Annual Governance Statement will be signed by the Chief Executive and Director of Resources (S151) and the Leader of the Council and published on the council's website.

## **Code of Corporate Governance**

In July 2016, the Full Council approved a new Code of Corporate Governance for the county council and agreed that the Code would be reviewed by the county council every year.

The Code is based on new best practice guidance from the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Authority of Chief Executives (SOLACE) and should articulate and be consistent with the expected standards, principles, and values by which Lancashire County Council Officers and Members will operate. There should be clear links between the seven new principles within the Code, and the governance framework of strategies, policies and procedures which underpin it. The Code is also in a format that includes sources of evidence providing clarity for Members, Officers, and stakeholders about how the organisation uses the principles of the Code in practice.

Therefore, the Code now presented for approval at Appendix 'B' has been updated and includes new sources of evidence such as:

- Corporate priorities 2021-25 and communication strategy
- A New Deal for a Greater Lancashire
- Staff Survey
- Local Government Association (LGA) Peer Review action plan

## **Consultations**

N/A

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with sound arrangements for control and management of risk. An authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk. Failure to publish an

Annual Governance Statement means the county council would be negligent in its responsibilities for ensuring accountability and the proper conduct of public business.

### **Legal Implications**

The county council must adopt a Code of Corporate Governance which has been produced to the standards prescribed in the best practice guidance in order to prepare the Annual Governance Statement.

The best practice guidance is recognised as the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016).

### **Financial Implications**

Good governance leads to good management, good performance and good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. However, there are costs associated with embedding and continuing good governance practices, and as the council's organisational structures develop, the costs associated with governance need to be monitored to ensure they remain proportionate.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Service/Tel
N/A		
Reason for inclusion in Part II, if appropriate		
N/A		



## Draft Annual Governance Statement 2021/22

### Executive Summary

The Leader of the County Council (County Councillor Phillippa Williamson) and the Chief Executive and Director of Resources (Angie Ridgwell) both recognise the importance of having good management, effective processes, and other appropriate controls in place to run the county council in delivering services to the communities of Lancashire.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how the corporate governance arrangements have been working across the group. To help do this both the Council's Corporate Management Team (CMT) and the Audit, Risk & Governance Committee undertake a review of the Council's governance framework and the development of the AGS.

This year, the Covid-19 crisis continued to bring unprecedented challenges for local government and the county council has sought to minimise disruption to the services we deliver. We have shown that the county council can thrive in the most challenging of circumstances. We have seen a combination of a flexible, dynamic, committed workforce and implementation of new ways of working that will reshape the council going forward. We also put in place a robust set of emergency governance measures to monitor and initially respond to the pandemic. However, as we have moved from response to recovery we have reverted to business-as-usual in most areas and our attention is turning to active surveillance and monitoring. We will maintain a state of readiness so that we can respond if we see any new variants emerging.

To ensure the AGS reflects the impact of the Covid-19 pandemic on governance, we have included a second conclusion on the adequacy of governance arrangements during this period.

On the 25 April 2022, the Audit, Risk and Governance Committee considered the content of the proposed governance statement to ensure that it properly reflects how the council is run. The final statement is signed by the Leader of the Council and the Chief Executive and Director of Resources.

## Governance Issues

Overall, it can be confirmed that the council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst they work well, our review has identified the following issues which are currently underway but not yet completed:

Key Delivery/Improvement Area	Lead Officer	To be delivered by
<b>Reshaping the Council: Our Improvement Journey</b>	Chief Executive & Director of Resources supported by the Director of Organisational Development & Change	March 2023
<b>Financial Sustainability</b>	Director of Finance	Ongoing
<b>Family Safeguarding</b>	Executive Director of Education & Children's Services	March 2023
<b>Integration &amp; Innovation – Health &amp; Social Care</b>	Executive Director of Adult Services & Health & Wellbeing	March 2023
<b>Provision of ICT</b>	Director of Strategy & Performance	March 2023
<b>Demand impact on Community &amp; Services</b>	Executive Director of Education & Children's Services Executive Director of Adult Services & Health & Wellbeing	March 2023
<b>CV-19 Impact on Services &amp; Communities</b>	Chief Executive & Director of Resources supported by the Corporate Management Team	March 2023

Progress made against the issues identified in last year's AGS is reported in this year's statement.

We propose over the coming year to address the matters identified and will monitor implementation and operation as part of the performance management role of the Corporate Management Team and the Cabinet. The Audit, Risk and Governance Committee will also help us with independent assurance during the year.

----- County Councillor Phillippa Williamson

Leader of the Council

----- Angie Ridgwell

Chief Executive and Director of

Resources

***Signed on behalf of Lancashire County Council***

# Introduction

Local authorities are required by statute to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/Solace "*Delivering Good Governance in Local Government Framework*" (2016) (the Framework) helps fulfil this requirement. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently, and effectively to achieve agreed priorities which benefit local people

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

As mentioned in the executive summary, coronavirus will have impacted on governance since March 2020 and authorities also need to ensure that the AGS is current at the time of its publication, so it is essential therefore that the AGS reflects the impact of the Covid-19 pandemic on governance.

## What is Corporate Governance?

Corporate governance is about the systems, processes, and values by which councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.

The Council has adopted a Code of Corporate Governance which follows the CIPFA/Solace guidance "*Delivering Good Governance in Local Government*" (2016) which defines the seven core principles that should underpin the governance framework of a local authority:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

## Key elements of the County Council's Governance Framework

Key elements of Lancashire County Council's governance framework are set out below:

Leader, Cabinet & Council	Decision Making	Risk & Performance Management
<ul style="list-style-type: none"> <li>• The Leader provides leadership</li> <li>• Cabinet develops and sets policy</li> <li>• Full Council agrees the annual budget, sets Council Tax and the policy framework including the Corporate Strategy (the cornerstone of our policy framework)</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings were virtual (because of Covid-19 rules) but are now face to face. Meetings are webcast</li> <li>• Decisions are recorded on the Council's website</li> <li>• Scheme of delegation</li> </ul>	<ul style="list-style-type: none"> <li>• Risk registers identify both operational and strategic risks</li> <li>• Key risks are considered by Corporate Management Team (CMT), Cabinet Committee for Performance Improvement (CCPI) and Audit, Risk and Governance Committee</li> <li>• Processes are in place for managing and reporting performance to CMT and members (CCPI)</li> <li>• Directors' complete assurance statements</li> </ul>
Council's Leadership Team	Scrutiny & review	External & Internal Audit and review
<ul style="list-style-type: none"> <li>• Head of Paid Service is the Chief Executive who is responsible for all council staff and leading Corporate Management Team</li> <li>• Chief Executive is the council's s.151 Officer and is responsible for ensuring the proper administration of the council's financial affairs</li> <li>• The Monitoring Officer is the Council's Director of Corporate Services who is responsible for ensuring legality and promoting high standards of public conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Scrutiny Committees review council policy, decisions, and budget proposals</li> <li>• Work to deliver local public sector accountability</li> </ul>	<ul style="list-style-type: none"> <li>• External audit provides an opinion on the Council's annual statement of accounts and whether the Council has secured economy, efficiency, and effectiveness in the use of its resources</li> <li>• Internal Audit provides regular assurance on the governance, risk management and internal control framework</li> <li>• External inspections provide an accountability mechanism</li> <li>• Peer challenge/reviews highlight good practice and areas for improvement</li> </ul>

# How do we comply with the CIPFA/Solace Framework?

The Council has approved and adopted:

- A Local Code of Corporate Governance;
- The requirements of the CIPFA/Solace Framework Delivering Good Governance in Local Government Framework 2016; and
- A number of specific strategies and processes for strengthening corporate governance.

An updated Local Code of Corporate Governance can be found on our website. This shows how the County Council has complied with the seven principles set out in the CIPFA/Solace Framework. The Code is reviewed annually, and the outcome reported to Audit, Risk and Governance Committee and presented to Full Council for approval. It sets out the requirements underpinning these principles and how the council ensures that it meets them along with the evidence base used to assess their effectiveness. This year it has been updated to include any further governance arrangements that have been put in place to manage the impact of Covid-19.

## Managing Risk & Performance

Performance management is a key component of the Council's approach to achieving its outcomes. Part of this process involves identifying and where appropriate, mitigating risks, ensuring that performance and risk management processes are in place throughout the organisation with effective processes to ensure sound financial management. Managing risks is the responsibility of services. All service risks are scored on the same basis and the greatest risks are elevated onto the Corporate Risk Register.

During the year, service risk & opportunity registers were reintroduced following their suspension and the introduction of service level situation reports as a response to Covid-19. The directorate level registers are updated regularly, and the Corporate Risk and Opportunity register was reported to Corporate Management Team (CMT), Cabinet Committee for Performance Improvement (CCPI) and Audit, Risk & Governance Committee.

The Audit, Risk & Governance Committee also monitor the effectiveness of risk management arrangements across the organisation. A review of this is undertaken annually by Internal Audit and reported to this committee. Internal Audit have recently completed a review of Risk Management and have provided **substantial assurance** that the council's corporate risk management framework is operating effectively.

Equality Impact Assessments are used throughout the organisation to assess the impact of service proposals and to inform decision making.

The budget setting process is well established, and services prioritise budgets and spending to achieve intended outcomes. In recent years, the budget setting process has inevitably focused on achieving savings whilst still focusing on the priorities of the political administration.

The medium-term financial strategy is updated and reported to Cabinet together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic, and economic factors that impact on the financial environment in which the County Council operates. The quarterly report to the Cabinet, 'Money Matters', includes in-year revenue and capital

expenditure monitoring information along with updates on the multi-year capital programme. The final outturn position will be reported to Cabinet.

During the year, CCPI received high-level metrics relating to the corporate strategy together with more detailed, service specific performance metrics which enabled members to monitor ongoing service delivery and performance. The reports highlight good performance and areas for improvement (further reports setting out improvement action plans are presented when necessary). A detailed forward plan for the annual reports was developed with the Leader of the County Council, as Chair of the Cabinet Committee on Performance Improvement.

A Performance Board that is chaired by the Director of Strategy & Performance meets quarterly. The Board receives a suite of performance dashboards, which draw attention to concerns with performance, describe recovery plans, and escalate issues for discussion and action to CMT. The board monitors against service level and corporate indicators and also co-ordinates the reporting of performance information to the cabinet Committee on Performance Improvement.

In their annual report 2021/22, the external auditors commented that reporting of performance information within the council is good and the LGA Peer Review stated that the Council has well established mechanisms for performance monitoring and can demonstrate a good understanding of service performance against similar councils elsewhere.

## Managing our resources (Value for Money)

The Council's external auditors, in their assessment of 2020/21, concluded that the authority had demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

The auditors commented that despite uncertainty, and the challenges posed by covid-19 the Council had maintained a good financial position and that it placed the council in a strong financial position having planned its budgets for future years well in advance. The external auditors were satisfied that the council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. Their work did not identify any significant weaknesses but identified a small number of improvement recommendations. These recommendations have been taken forward.

Throughout 2021/22 projections were reported to both the CMT and Cabinet in the 'Money Matters' report which forms a regular review point for assessing the effectiveness of financial plans. The current budget strategy remains to use budget savings with the use of reserves and capital receipts to ensure funding requirements are met. However, this will be impacted by our continued response to Covid-19 and the forecast will need to be kept under review considering any central government funding proposals for local government.

The external auditors also focussed on developing a detailed understanding of the governance arrangements in place at the authority and the changes instigated as a response to the pandemic. Their work on business as usual and adapted structures did not highlight any significant governance issues but identified a small number of improvement recommendations. These recommendations have been taken forward.

The Council ensures that it provides timely support, information, and responses to its external auditors – properly considering audit findings and assumptions around what may happen in the future particularly relating to those elements that cannot be directed by the Council.

### **Financial Sustainability**

Financial sustainability remains a risk facing the County Council given the absence of a long-term financial settlement from central government, the ongoing financial impact of Covid-19 and the outcome of the fair funding review.

Whilst satisfactory progress has been made to date in addressing the forecast financial shortfall over the strategy period through a savings programme and the improved funding envelope for social care, further work is committed to ensure the council will achieve its medium-term financial plans.

During the second year of the pandemic, originally planned savings have further been delayed particularly around social care services. Timescales for some savings plans have been revisited and reprofiled to be delivered in 2022/23 and beyond. Due to significant amounts of National Government support during 2021/22, and mitigating savings delivered on a one-off basis, the forecast 2021/22 year-end position is positive, alongside a more favourable financial settlement for 2022/23 than had originally been anticipated which has resulted in an improved MTFS position over the next three years. However, there are inherent risks, the impact of latent demand for services due to the pandemic, inflationary pressures due to the changing economic environment and savings delivery which are largely linked to reducing the future demand for services. There has been a strong track record of delivery of previous savings plans, with some being overachieved and arrangements are in place to track delivery of financial savings and take corrective actions when required.

The value of the council's forecast uncommitted transitional reserve by the end of the financial year 2021/22, which is available to support the revenue budget, is sufficient to meet the forecast funding gap within the current MTFS covering the period 2022/23 to 2024/25.

Given the pressures arising from the ongoing pandemic, a formal service challenge process was not adopted in 2021/22 for delivery in 2022/23. Existing savings plans were reviewed and reprofiled where necessary and some service areas were able to identify additional income generation and efficiency plans which have been factored into the Medium-Term Financial Strategy (MTFS) and 2022/23 budget.

It should be noted that a further targeted service challenge review process will be undertaken as part of the 2023/24 budget process, as it is necessary that additional savings are identified to be delivered to ensure the council has a financially sustainable position going forward. Any utilisation of remaining reserves should support, wherever possible, activities which reduce ongoing revenue costs.

The Council regularly updates its medium-term financial strategy. The forecast for future years considers anticipated cost pressures (both inflationary and demand led), planned savings and expected resource levels. The forecast is necessarily underpinned by a range of estimates and considers recommendations through the Corporate Management Team, Cabinet and the Audit, Risk and Governance Committee.

The financial management arrangements of the Council conform to the governance requirements of the CIPFA Statement on the *Role of the Chief Finance Officer in Local Government*.

### **Financial Management Code**

The CIPFA Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The code sets out six principles underpinned by a series of financial management standards identifying the professional standards to be met if a local authority is to meet the minimal expectations of financial management that are acceptable to meet the fiduciary duties to taxpayers, customers, and lenders.

Despite the Covid pandemic, the council has been able to undertake medium-term financial planning which has driven the annual budget-setting and monitoring process. Through the Budget Scrutiny Committee, and the Audit, Risk and Governance committee sources of assurance are recognised as an effective tool in delivering and demonstrating good financial management. The positive financial performance of the council during the year has once again evidenced that the long-term sustainability of local services is at the heart of the council's strategy supported by the prudent use of public resources.



# How do we know our governance arrangements are working?

There are several ways we do this:

## **The Role of Management**

The Corporate Management Team oversee the review of the Council's governance arrangements. Following this review, they can confirm that appropriate internal controls for which they have responsibility are in place, in particular their scrutiny of regular budget and performance reports including performance against savings targets within the Medium-Term Financial Strategy.

Directors have the day-to-day responsibility for managing and controlling services – they are accountable for their successful delivery. They set the culture, develop, and implement policies, procedures, processes, and controls. Directors have completed an 'assurance statement' for 2021/22 that reports on service compliance, and they produced regular directorate risk registers that set out appropriate mitigating actions for significant risks. Where the evidence needed to provide full assurance is not available, improvement plans are in place.

The Monitoring Officer regularly reviews the Council's Constitution and ethical governance arrangements and there are regular briefings on key corporate governance issues to Directors and Heads of Service.

## **The Role of the Audit, Risk and Governance Committee**

The Council's Audit, Risk and Governance Committee plays a vital role in overseeing and promoting good governance, ensuring accountability, and reviewing the way things are done.

The Committee provides an assurance role to the Council by examining such areas as audit, risk management, internal control, counter fraud, treasury management, and financial accountability. The Committee exists to challenge the way things are done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the Council's governance, risk, and control environment.

In addition to the standard items on the agenda, the committee considered reports on the following:

- Review of the Code of Conduct for Members - a report which provided an overview of the best practice recommendations of the Committee for Standards in Public Life in relation to local government standards. The committee considered the best practice recommendations and asked the Political Governance Working Group to review the proposals and report back their recommendations.
- Code of Conduct – Summary of Complaints.
- Report on the Overpayment of Salaries – with a further report on this requested by the committee.
- Assurance over the Pension Fund.

In July 2021, the Chairman presented his annual report. The report set out the work the committee had undertaken and provided a means by which it was able to review its own effectiveness.

## **The Role of the Head of Internal Audit**

For 2021/22 the Head of Internal Auditor provided moderate assurance overall regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.

In forming his opinion, he considered the work undertaken by the Internal Audit Service throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements. Audit work covered the full range of the council's services. The Council is in a much stronger financial position than many Local Authorities, however, the financial projections show that it still faces financial challenges. The county council has adapted well to the changing risk environment and appears to be operating as would be expected.

## **External Assurances**

The opinions and recommendations of the External Auditor and other inspection and review agencies and peer reviews offer us further assurance.

### *External Auditor's Annual Report of Lancashire County Council 2020/21*

The External Auditor's work did not identify any significant weaknesses in the county council's arrangements. Several good practice improvement recommendations were identified and have been responded to appropriately.

### *Special Educational Needs & Disability Partnership Implementation Plan*

The council received feedback from the DfE and NHSE on the SEND Progress Review that took place on 29 September 2021. Action had now been taken to address the outstanding five areas that were identified as requiring progress, and therefore Lancashire no longer required formal external monitoring and intervention.

### *LGA Peer Review*

A team of experienced senior council officers and members from across the country spent a week carrying out a peer review. They looked at how we go about our business and spoke to a range of our colleagues as well as people from key partnerships. Following the review, they published a report making several improvement suggestions. An action plan has been produced and actions to address the recommendations made by the report are being progressed. Areas of focus include enhanced partnership working, decision making, new ways of working and corporate transformation.

## **Information Governance**

The council has a comprehensive Information Governance Framework in place, overseen by the Corporate Information Governance Group. The group meets quarterly and is attended by the Senior Information Risk Owner and Data Protection Officer. Services from Adult and Children's Social Care and Growth, Environment and Transport are now represented on the group. The annual review of policies took place in January 2022 and amendments were made to reflect our new ways of working and highlighting individual responsibility for keeping council information confidential and secure whilst working from home or agilely, and that any personal, confidential, or sensitive information must continue to be handled in accordance with IG Policies.

Services across the council have continued to be delivered during the public health crisis and whilst some resourcing issues have been experienced across the authority the council have been able to deliver all services during this period, and it has not been necessary to re-divert resources to critical areas or reinstate a Corporate Internal Resource Pool to meet demand.

Routine FOI reporting was resumed in November 2021, and these are shared with Heads of Service on a regular basis. Information Governance Quarterly performance statistics are provided to Business Intelligence and shared at Directorate Management Team and CMT.

### **Local Government & Social Care Ombudsman**

During 2021/22 Full Council did not receive any public reports from the Local Government & Social Care Ombudsman.

### **Lancashire County Developments Limited**

Lancashire County Developments Limited is an owned subsidiary of the County Council. As a material entity it forms part of the Council's group accounts. The County Council has the power to change decision making rights, and to appoint and remove Directors of the company. Board Directors are County Councillors who regularly meet and receive financial and performance reports. In the 2021/22 financial year there have been no governance issues reported. The company is annually subject to a separate external audit to the county council.

### **Scrutiny Committees**

The Council continues to operate with four scrutiny committees: Health, Education & Children's Services, Internal and External. These committees have developed and delivered workplans for the year and continue to meet regularly. There is regular attendance from Cabinet Members, Senior officers, and key partners, including NHS bodies, utility companies and government departments.

The work of the four Scrutiny Committees is presented to Full Council on an on-going basis for comment and discussion.

There is also a cross party Budget Scrutiny Review Panel. The Panel:

- Provides further support to the overall budget monitoring process
- Considers and formulates recommendations on Cabinet budget proposals
- Monitors progress of agreed budget savings

The Review Panel in exercising this function contributes to a robust budget scrutiny process and supports effective monitoring of the County Council's budget. The Review Panel's role is not to lead on the management of the budget or to set a budget, but to provide support as a 'critical friend'. The Review Panel reports to the Internal Scrutiny Committee.

The "Member Development Working Group" is another cross-party working group which reports into the Internal Committee, and is responsible for overseeing training, development, and support activities for councillors.

The Peer Review identified several areas for consideration in relation to scrutiny. An Internal Audit review of scrutiny administration was also undertaken and provided moderate assurance. The outcome of both the Peer Review and the Internal Audit review are being taken forward to consider improvements to the function.

### **Independent Remuneration Panel**

The Independent Remuneration Panel met shortly after the election and made several recommendations to enhance the accountability of Special Responsibility Allowance holders, which have been adopted, for example with Champions reporting annually to Full Council as well as Cabinet.

### **County Council Elections 2021**

Given the postponement of the elections in 2020 there were County, Police & Crime Commissioner, and district elections (7 districts) that took place across Lancashire on the 6 May 2021. Having combined elections is complex but given the added dimension of the pandemic this heightened the complexity and risk. As a result, the Returning Officer in conjunction with the Police Area Returning Officer published detailed directions and officers from all councils within Lancashire met monthly to ensure a consistent and collaborative approach across the county. Officers also maintained regular dialogue with the Electoral Commission throughout the preparations and delivery of the polls and worked with Lancashire Constabulary to maintain the integrity of the electoral process. No election petitions were submitted.

Officers and members were briefed on pre-election rules on local authority publicity. Following the election, a full induction programme for new members was delivered that included guidance and training on personal safety.

### **Our New Deal for a Greater Lancashire**

During 2021, Council leaders across Lancashire made a pledge to work together to deliver a bold vision for a County Deal to benefit the people of Lancashire. For months, all fifteen of the council leaders who make up Greater Lancashire worked in close collaboration to develop a set of ambitious and forward-thinking proposals.

In February 2022, a report about 'Our New Deal for a Greater Lancashire' completed its journey through all fifteen of Lancashire's councils. Leaders will now consider the implications of the government's levelling Up White Paper for our devolution ambitions before agreeing next steps.

### **EU Exit: Lancashire County Council preparedness**

When the UK formally left the EU on the 31 January 2020, it moved from being a member state to the transition period and little changed in practice. In January 2021, the UK moved from transition to a new relationship, and wide-ranging change will likely result, albeit not immediately. People, communities, businesses, organisations, and our service areas will require time, clear communication, and support.

The council put in place an internal EU Exit Group, overseen by the Director of Corporate Services, to track key aspects of the UK's exit from Europe. Its role is focused on considering the implications for Lancashire and mitigating its impact.

Its areas of focus include Trade, State Aid, Workforce and EU Settled Status, including children looked after and care leavers of non-UK nationality, Border planning, Transfer of Powers/Regulatory change (GDPR, Employment Law, Procurement) and partnership working. The EU Exit Group continues to receive input from across council services. It has provided timely reports on the level of the council's preparedness with assurance and recommendations to Cabinet and corporate management team. It currently provides updates to Corporate Management Team.

The EU Exit Group will continue to review direct and indirect consequences on residents whilst monitoring cost drivers as markets/communities react to this change. In 2022 our focus remains Children Looked After/Care Leavers with no immigration status and those with pre-settled status, subsidy control regime, regulatory change resulting the Freedoms Bill and levelling up.

# Strategic oversight of actions to address the Council's governance challenges in 2021/22

This section provides a concise high-level summary of strategic actions taken to address the Council's governance challenges for the 2021/22 financial year, and what arrangements are in place for oversight of delivery. These challenges were set out at the end of last year's AGS.

What action was to be addressed?	Governance actions taken
<p><b>Reshaping the County Council: Our Improvement Journey</b></p> <ul style="list-style-type: none"> <li>• Risk that the council will not be sufficiently radical or innovative to transform services at the required pace to achieve the scale of change needed over the next 12 months and beyond</li> <li>• Inability to secure sufficient resource (capacity) across the organisation to deliver on some areas of the Improvement Journey due to competing priorities and the need to prioritise capacity towards ongoing COVID-19 response and recovery.</li> <li>• Risk of not having a joined up, cohesive, corporate wide LCC change programme with CMT oversight and appropriately allocated resources.</li> <li>• Risk of multiple front doors with multiple gatekeepers to initiate change – Digital</li> </ul>	<p><b>Capacity</b></p> <ul style="list-style-type: none"> <li>• "Front Door to Change" designed and implemented to support prioritisation &amp; allocation of resource for change across organisation.</li> <li>• Core roles appointed to lead on the major elements (Staff Experience Lead, Customer Experience Lead, Analysis &amp; Design Lead &amp; PM Lead) who will drive and monitor progress against critical elements.</li> </ul> <p><b>Change Programme</b></p> <ul style="list-style-type: none"> <li>• Detailed Programme Management Office roadmaps developed with Adults, ECS and Public Health, and resourcing issues resolved.</li> <li>• Director of OD &amp; Change involvement in change programme.</li> </ul> <p><b>Our ways of working</b></p> <ul style="list-style-type: none"> <li>• Improvement Journey priorities aligned with corporate priorities, subject to regular review by Strategic Improvement Board <ul style="list-style-type: none"> <li>○ Staff Experience Board established, with plan in place for priority outcomes &amp; deliverables for the next 12 months</li> </ul> </li> <li>• Values &amp; Behaviours developed and disseminated</li> <li>• Customer Experience: <ul style="list-style-type: none"> <li>○ Customer Experience SRO appointed and funding in place to recruit customer experience lead</li> </ul> </li> <li>• Programme governance: <ul style="list-style-type: none"> <li>○ Head of Improvement appointed to drive Improvement Journey programme</li> </ul> </li> </ul>

Services, Customer Access, operational services etc. This leads to:

- A lack of strategic prioritisation, sequencing, and link to organisational objectives
  - Too many competing asks
  - Silo working approach
  - Inconsistent approach to prioritisation and delivery of change projects
- Inability to deliver a balanced budget post 2023/24

- Corporate Programme Office transferred to Director of OD & Change to support alignment of capacity & focus with agreed strategic & Improvement Journey priorities

- Data & Insight:
  - Adoption of Power Business Intelligence and agreement that it will become our core business analytics tool
- Microsoft 365 landed – new tools and technology allowing flexible working
- Significant programme of review of HR policy and procedures influencing flexible working and supporting desired new ways of working
- Leadership and management development offer in place and evolving to meet needs of new ways of working
- Recruitment of core team to develop & monitor Improvement Journey programme
- Development of framework to create "Front Door to Change" to agree priorities, allocate appropriate resources
- The council has in place several work streams that support the corporate strategy and our ways of working e.g., digital connectivity: inequalities workshops etc

**Improved Partnership Working**

- Through the refreshed corporate strategy, we have set out the county council's vision and approach, but we will also acknowledge that we cannot achieve this on our own. We have adopted a flexible approach to partnerships that will allow us and the people and businesses of Lancashire to respond to the needs of the county, in a way that benefits everyone.
- We are maintaining several the joint/strategic decision-making groups e.g., Adult Social care and Health Partnership (Formerly ASC cell), OOH cell to build on the collaborative ways of working
- These joint boards have decision making ability and will feed into the new Strategic Commissioning Board

**A New County Council**

- All administrative procedures relating to county councillor appointments completed.
- Induction programme completed

	<ul style="list-style-type: none"> <li>• All councillors supplied with appropriate IT/telephony equipment</li> <li>• Communications Strategy published</li> </ul> <p><b>Financial Sustainability</b></p> <ul style="list-style-type: none"> <li>• Updates provided to Cabinet through the Money Matters reports covering in-year financial position and medium-term financial strategy on a quarterly basis</li> <li>• Directorate Leadership Teams (DLT's) meet regularly and have a monthly focus on financial position and savings delivery chaired by the relevant Executive Director</li> <li>• Programme Office is supporting the overall programme of savings activity</li> <li>• Financial Benchmarking information (with other County Councils) produced and reviewed annually as a basis for identifying those service areas with most scope for further efficiencies</li> <li>• Continue to monitor the impacts of price changes via our regular monitoring activity updating our forecast outturn and the MTFS</li> <li>• Continue to work with staff to develop new options savings options and revisit options</li> <li>• Continue to seek out, learn from and adapt services to follow best practice</li> </ul>
<p><b>Family Safeguarding Model</b> The Hertfordshire Family safeguarding approach does not deliver the expected outcomes</p>	<ul style="list-style-type: none"> <li>• High level implementation plan developed and being implemented</li> <li>• Appointed to Head of Service lead and practice/systems roles</li> <li>• Family safeguarding Group provides oversight, reporting to Keeping Children Safe Board</li> <li>• Whole system transformation to implement a new operating model for family safeguarding and early help delivery within the council.</li> <li>• Worked with key partners to establish the Team around the School and Settings approach across Lancashire, dedicating discrete early help staffing resources to support schools to respond more effectively to the early help needs of their children's families identified within the universal setting.</li> <li>• Implemented the Pan Lancashire Working Well with Families approach within the Lancashire Front Door.</li> <li>• Developed an Extra Familial Harm Team to support and manage the risks related to vulnerable adolescents.</li> </ul>
<p><b>SEND Partnership Implementation Plan</b> Insufficient progress in delivering against the targeted action plan to address the five areas</p>	<ul style="list-style-type: none"> <li>• The council received feedback from the DfE and NHSE on the SEND Progress Review that took place on 29 September 2021. Action had now been taken to address the outstanding five areas</li> </ul>



<p>which continue to require improvement leading to ongoing intervention.</p>	<p>that were identified as requiring progress, and therefore Lancashire no longer required formal external monitoring and intervention.</p>
<p><b>Integration &amp; Innovation</b>  In 2021, the Department of Health and Social Care published the legislative proposals for a Health and Care Bill. The proposals contained within the white paper '<b>Integration and innovation: working together to improve health and social care for all</b>' sets out a range of reforms. These include:</p> <ul style="list-style-type: none"> <li>• Making Integrated Care Systems (ICS) statutory bodies</li> <li>• Transferring the functions of Clinical Commissioning Groups to the ICS</li> <li>• Removing competition and changing procurement rules</li> <li>• Seeking to strengthen the voice/influence of local government</li> <li>• Introducing measures to enhance assurance of social care by CQC</li> <li>• Creating a standalone power for Better Care Fund</li> <li>• Encouraging joint appointments of executive directors to support integrated care/working</li> <li>• Strengthening the role of Health and Wellbeing Boards</li> </ul> <p>As mentioned above, several themes are particularly relevant to the future working relationship between health and local government, and these have been developed through 21/22.</p>	<ul style="list-style-type: none"> <li>• We are maintaining several joint/strategic decision-making groups e.g., Adult Social Care &amp; Health Partnership, OOH cell, to build on the collaborative ways of working</li> <li>• Adult Social Care and Health Partnership Board has agreed a joint work programme and work is progressing</li> <li>• At a senior level, the County Council is involved in the ICP Development Advisory Group (Exec Director) and at the ICS Development Oversight Group (Chief Executive). This is pivotal to ensuing local government context and opportunity is understood and reflected in all plans and priorities</li> <li>• Regular Internal health integration meetings (cross directorate) chaired by the Chief Executive to ensure clear and consistent approach to all meetings with NHS</li> <li>• Briefings for county councillors involved in NHS meetings has been reinstated. Weekly meetings with lead cabinet members are taking place.</li> </ul>

<p><b>ICT Provision</b>  <b>Oracle R12 to Fusion</b>          Oracle vR12 supports the heart of the council's people and financial resources. R12 is now end of life and is approaching the end of the final extended support period. LCC have embarked on a programme to replace R12 with Oracle Fusion and associated new processes for managing our money and our people information for 45,000 users.</p> <p>Failure to assign resources to the Oracle Fusion Programme will leave LCC without the ability to complete the project on time</p> <p><b>Data</b>          The organisation fails to use its data resource to good effect for the benefit of Lancashire residents</p> <p><b>Core Systems</b>          Lancashire has built up a 'technology debt' with regards to its major systems which help the organisation function in a modern, efficient, effective way</p>	<p><b>Oracle Fusion</b></p> <ul style="list-style-type: none"> <li>• Fusion Project Board established, SRO identified, programme under active management of the Chief Digital Officer.</li> <li>• Appointed Systems Integrator to deliver technical implementation</li> <li>• Appointed Change Partner and with them to adopt new processes for all Fusion capabilities</li> <li>• Appointed Data migration partner and secured LCC resource to ensure data is R12 is cleaned and migrated in a timely manner to Fusion</li> </ul> <p><b>Data</b></p> <ul style="list-style-type: none"> <li>• Management information is provided through appropriate Service Management Line of Business Systems. These systems are supported through best practice reporting and through the contribution of the Business Intelligence Team.</li> <li>• New head of data has been recruited and is in post. The post supports the needs of the organisations data requirements and to ensure they are designed and architected in optimal ways to support service delivery and customer experience.</li> <li>• Next phase of planned work is to develop DaaS (Data as a Service) for Business Intelligence and the creation of Data Catalogues alongside a Master Data Management System which provides a single view of multiple systems</li> </ul> <p><b>Core Systems</b></p> <ul style="list-style-type: none"> <li>• The appointment of the Chief Digital Officer, the insourcing of the IT function and the creation of a Head of Architecture are helping to support the development of improved ways of working. The Head of Architecture is responsible for having agreed roadmaps for maintained products either via a SaaS (Software as a Service) route or regular updates products to enable business department to have LOB systems that provide the support for their respective function. The top SaaS product is the migration to Oracle Fusion which is the subject of a separate risk. A Head of Digital Business Engagement post has also been filled to ensure that digital services understand and help to deliver service needs.</li> </ul>
<p><b>CV-19 Impact on Services &amp; Communities</b></p>	<ul style="list-style-type: none"> <li>• Corporate Emergency Response Team (CERT) continued to meet at least fortnightly and considered current situation reports</li> </ul>

<p>Inability to adequately respond to the demands placed on Services because of increasing demands, capacity issues, and reduced resilience of staff.</p> <p>Staff across all services have worked in crisis response mode from the outset of the pandemic. Alongside this business-as-usual work is being undertaken across many services.</p>	<ul style="list-style-type: none"> <li>• Contingency plans are available to be activated as needed which would primarily stand down business as usual/non-critical work and where possible, redeploy staff to support priority work areas</li> <li>• Ongoing situation monitored at leadership team meetings</li> <li>• Increase capacity through sourcing additional resource</li> <li>• Ensure all staff take their annual leave entitlements</li> <li>• Team managers keep the focus on staff wellbeing in 1:1s and team meetings</li> <li>• Mitigating actions for loss of staff encapsulated for each individual service within the business continuity arrangements found in the Service Resilience Plans (SRPs); this includes identification of critical posts/functions, alternative arrangements for critical posts/functions, critical function analysis, specific responses in relation to Pandemic flu</li> <li>• These arrangements need to be viewed in line with the Corporate Emergency Response Plan (CERP) which provides the incident management and wider support structures in place.</li> <li>• Continue to monitor capacity and demand levels</li> <li>• Chief Executive, Executive Directors, Directors, and Heads of Service to continue to share messages of thanks and appreciation</li> <li>• Raised issues at CERT if corporate guidance/action required</li> <li>• Consider the need to stand down business as usual to focus on the pandemic response or seek financial support to increase resources to maintain overall continuity of services</li> <li>• Covid- 19 incident management in place</li> <li>• Vaccination programme implemented</li> <li>• Local contact tracing implemented</li> <li>• Community Testing/workplace testing in place</li> <li>• Monthly staff webinars led by Directors to continue to share messages of thanks, appreciation and enable staff to showcase their best practice and fantastic response to the pandemic</li> <li>• Staffing issues and in particular staff welfare is a constant feature in leadership meetings</li> </ul>
<p><b>Demand Impact on Community &amp; Services</b> Demand for client-based services continues to increase resulting in increased budget pressures</p>	<p><b>Adult Social Care</b></p> <ul style="list-style-type: none"> <li>• Financial support package agreed by CMT for residential and day service providers</li> </ul>

<p>and poor outcomes for those people in receipt of our services</p>	<ul style="list-style-type: none"> <li>• Residential and day service providers have been called every day to monitor their 'stability' on a range of issues and pathways in place to address e.g. workforce, financial issues, PPE etc</li> <li>• Contracts team have dedicated resource to support providers on a day-to-day basis. Also have 'stand by' arrangements in place in case of provider failure</li> <li>• LSCFT have put in place a team to support people while they await a mental health bed</li> <li>• Commissioning team worked with Contracts team, NHS, and the care sector market to review the Market Position Statement - this will better inform the current state of the market and enable more confident joint planning for future need</li> <li>• Adults' leadership team strong links with NWADASS and national work being done on wider market viability/reshaping</li> <li>• Position closely monitored by Adult Social Care &amp; Health Partnership Board in form of ongoing reporting and jointly agreed action plans</li> <li>• Relationship with CQC maintained/safeguarding assessments being stepped back up (high risk safeguarding issues were monitored/actioned during Covid)</li> <li>• Service users and their families are being offered support and alternatives being offered/developed including links to community-based support</li> </ul> <p><b>Children's Social Care</b></p> <ul style="list-style-type: none"> <li>• Clear governance and accountability arrangements in place via the Keeping Children Safe Board</li> <li>• MASH / Demand Management group and Permanence and Children in Our Care group providing oversight of service improvements</li> <li>• Family Safeguarding Board providing leadership and oversight of Family Safeguarding Programme</li> <li>• Range of further activity to manage demand including Family Group Conferencing evaluation funded through a pan-Lancashire bid, VCFS led model of support pilot in Preston to be extended</li> <li>• Where Our Children Live Strategy together with Sufficiency Strategy to ensure most effective use of provision and to help identify and address gaps in service</li> <li>• Delivery of Early Help Strategy</li> <li>• Delivery of Family Safeguarding</li> </ul>
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	<ul style="list-style-type: none"> <li>• Evaluation of targeted interventions including Family Group Conferencing at pre proceedings, and VCFS model</li> <li>• Where Our Children Live Strategy and Sufficiency Strategy agreed by Cabinet</li> <li>• Review of Placement Costs</li> <li>• Ongoing consideration of Covid impact</li> <li>• Provide input into the developing NHS operational plan for CAMHS service developments and be sighted on / support ICS discussions on CAMHS related NHS investment proposals</li> </ul> <p><b>SEND</b></p> <ul style="list-style-type: none"> <li>• Alternative Provision Strategy agreed by Cabinet October 2021</li> <li>• Delivery plans established</li> <li>• Delivery of priorities within the SEND sufficiency strategy</li> <li>• Consulted on Strategy</li> <li>• Ongoing consideration of Covid impact</li> </ul>
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## Governance Challenges for 2022/23 and onwards

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during 2022/23, to address changing circumstances and challenges. These are set out below. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2023.

### Reshaping the Council:

#### *Our Improvement Journey*

We are well on with making improvements and changes across the organisation and this work will continue to grow and develop over the next twelve months.

**Our ways of working** – we want to further develop our workplace model that optimises the performance of our people, places, processes, and technology. We want to leverage the best of what is possible today and continuously improve & adapt in response to future challenges. To help us do this we will engage our staff and establish 'change influencers' to help shape emerging proposals and develop new approaches.

**Improved Partnership working** – We will continue to build better alliances with our partners to deliver improved outcomes for the people of Lancashire. Discussions with partners continue to focus on more joined up approaches and opportunities to improve outcomes and save money. A key focus will be working towards the development of strengthened partnership working through our joint long term strategic plan 'A New Deal for a Greater Lancashire'. We will support Lancashire Leaders to strengthen governance and engage with Government with a unified voice.

**A New County Council** – Aspects of the governance framework/decision-making process will be addressed as part of the LGA Peer Review Action plan and response to the Internal Audit review of scrutiny. Discussions will continue to take place with political groups to improve communications with members on key issues and a member survey to take place in Spring.

**Financial Sustainability** – Overall, the Council has an appropriate level of reserves available to manage the financial risks it faces from 2022/23 to 2024/25. However, based on current forecasts it will be necessary that additional savings will be required to bring the council to a financially sustainable position. Therefore, a further targeted service challenge review process will be undertaken as part of the 2023/24 budget process.

### Family Safeguarding

We have begun to develop a more strengths-based practice model, including the development of the Lancashire Family Safeguarding approach and the remodelled early-Help offer. Therefore, our area of focus over the next twelve months will be to implement the Family Safeguarding Model alongside a remodel of Children's Social Care, embedding the revised approach to school improvement and implementing the re-modelled Early Help services. We will also ensure the quality of practice continues to improve, eliminating inadequate practice and ensuring consistently good assessments and plans across county council early help services and children's social care.

### **Integration and Innovation**

We will continue to work with health partners on our joint work programme and ensure continued senior County Council representation at the Integrated Care Provider Development Advisory Group (Exec Director) and at the Integrated Care System Development Oversight Group (Chief Executive). This is pivotal to ensuing local government context and opportunity is understood and reflected in all plans and priorities. We will also continue to hold regular Internal health integration meetings (cross directorate) that are chaired by the Chief Executive to ensure clear and consistent approach to all meetings with NHS colleagues. Briefings for county councillors involved in NHS meetings will continue as will weekly meetings with lead cabinet members.

### **ICT Provision**

The Oracle Fusion programme will replace the existing system for managing our money and people resources, this will go live during 2022/23. To ensure smooth transition End User engagement sessions are being rolled out and we are identifying 'Hard to Reach' users in service areas. Business Readiness surveys and Business Readiness Assessments are to be completed for each service area. Work will continue to ensure our core systems are fit for purpose and that the organisation's data requirements are met.

### **Demand impact on Community and Services**

Demand for client-based services continues to increase resulting in increased budget pressures that may lead to poor outcomes for those people in receipt of our services. Therefore, for Adult Social Care we will continue to work with a range of partners regarding social care reforms and look to strengthen the adult social care market capacity through fee adjustments and active engagement to identify creative solutions. In relation to Children's social care, we will implement what we have set out above and for SEND we will continue to invest in the service and deliver the priorities in our strategy.

### **Covid-19 Impact on Services and Communities**

Since the onset of the pandemic in March 2020, covid-19 has had a significant impact on both the people of Lancashire and how we have delivered our services in the face of increasing demands. We will continue to have a key role to play in the coming months as we will be at the heart of building a stronger, healthier, and more prosperous Lancashire for our residents and businesses. Recently, the Government announced its plan for Living with Covid and will publish guidance in due course. We will assess the guidance when published and use it to help make difficult judgements based on the evidence regarding the impact on public health.

## Monitoring Implementation

The key governance challenges facing the Council in 2022/23 will be monitored by the Corporate Management Team and are identified risks in the Council's Corporate Risk and Opportunity Register. This document is the 'action plan' for each issue identified.

The governance arrangements relating to the Register involve its review by the Corporate Management Team which is then reported in turn to the Cabinet Committee on Performance Improvement and then the Audit, Risk and Governance Committee. The Register identifies risks, the current controls that apply and the mitigating actions to be taken, producing a "risk score" and a residual score after mitigating actions have been applied.

## Conclusion

Overall, the County Council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst these work generally well, the council has identified several areas where further improvements can be made to strengthen its governance framework. The governance of the County Council will continue to be monitored by the Audit, Risk and Governance Committee, Cabinet and Corporate Management Team.



## Covid-19 Arrangements

Throughout the second year of the pandemic, there continued to be a tremendous amount of work done by staff and our partners to ensure that our response has been effective. The coronavirus pandemic has had, and will continue to have for some time, a significant impact on the operations of the Council. Over the period of review this has involved a move from response to recovery (and at one point a move back to response as infection rates increased), reverting to business-as-usual arrangements, the introduction of new activities and continued new ways of working. Over the longer term it will have an impact on changes to priorities, programmes, strategies, and plans. The Council has also learnt from new ways of working introduced in response to the pandemic and the response to the pandemic has continued to speed up some areas of change.

### **Financial Sustainability**

The council's financial challenge has been exacerbated by two years of the Covid-19 pandemic, and, like all councils, we are facing financial pressures across the period of our medium-term financial strategy. During the second year of the pandemic, originally planned savings have further been delayed particularly around social care services. Timescales for some savings plans have been revisited and reprofiled to be delivered in 2022/23 and beyond. Due to significant amounts of National Government support during 2021/22, and mitigating savings delivered on a one-off basis, the forecast 2021/22 year-end position is positive, alongside a more favourable financial settlement for 2022/23 than had originally been anticipated which has resulted in an improved MTFS position over the next three years. However, there are inherent risks, the impact of latent demand for services due to the pandemic, inflationary pressures due to the changing economic environment and savings delivery which are largely linked to reducing the future demand for services. There has been a strong track record of delivery of previous savings plans, with some being overachieved and arrangements are in place to track delivery of financial savings and take corrective actions when required.

The External Auditors' most recent Annual Report commented that the Council had maintained a good oversight of its Covid-19 related costs and income losses for the first year of the pandemic. These were identified early on and subject to detailed monitoring and scrutiny. The MTFS was reviewed and updated during the year and quarterly reporting against the budget to cabinet was maintained. This approach has been mirrored throughout 2021/22.

The recent LGA Peer Review also stated that the Council had managed the cost pressures of Covid-19 particularly well.

### **Governance**

At the start of the pandemic, we aligned our response to the Local Resilience Forum (LRF) structures to ensure clarity and continuity between our internal work and the wider partnership activity. This meant that we have a clear understanding of our essential role and could move and adapt to changing circumstances. However, during the year we reviewed our structures and some of the groups stood down.

At the last Corporate Emergency Response Team meeting on the 8 March 2022, it was agreed that we would follow suit of the LRF group and the meeting on the 5 April was our last. This does not mean that we think Covid has gone away but that we are standing down the top tier level of coordination and it will be for each directorate to coordinate themselves within their own service area.

The Incident Management Hub has also stood down, but the Health Protection Board will continue and will closely monitor the Covid-19 situation. We have also switched off special arrangements for dealing with covid i.e., setting outbreak management teams for Schools, Workplaces etc. Attention is turning to active surveillance and monitoring a state of readiness if we see any new variants emerging.

As we moved from response to recovery many of the internal governance arrangements, we had put in place during the first year of the pandemic were reviewed and reversed. Formal on-line meetings have reverted to face to face and the delegation of all Cabinet powers to officers at Head of Service or above has been removed. Directorate risk and opportunity registers were reintroduced, and the Corporate Risk & Opportunity register recommenced reporting to committee in September 2021.

Homebased working continued for most staff with the gradual return to the office from September 2021 as we introduced new accommodation and flexible working arrangements.

### **Improving economy, efficiency, and effectiveness**

Many staff have been working so hard to look after others through this pandemic, but it is also important that they look after their own health and wellbeing. Keeping physically and mentally well is a challenge for us all. We have ensured that we have lots of useful information on the intranet about the help that we can offer, and guides to how people can help themselves. For colleagues not able to access the intranet, this information is also available on the staff section of our website, which anyone can access. All our wellbeing information is updated regularly. In aiming to support staff wellbeing, we have been able to maintain the efficient and effective delivery of statutory services.

Partnership working remains key and we continued to work with community partners throughout the year. The LGA peer review feedback stated that our response to covid-19 has been 'exemplary', and we continue to engage with the Lancashire and Cumbria Health & Care Partnership to ensure a joined-up response.

### **Outbreak Management**

Throughout the year controls were in place and functioned well. The testing strategy was refreshed to prioritise care homes and care sector vaccination levels were tracked. The 5-step community testing plan was revised and a local policy to encourage testing and isolation for those who tested positive was implemented. We continued to support schools, vaccination in care settings and developed a system for members of the public who do not have access to transport to access a 'drive thru' vaccination service. Children's social workers undertook twice weekly testing, and we ran a programme of awareness raising. We have started to collect data and archiving in relation to the Government announced Independent Inquiry.

The Corporate Emergency Response Plan has been reviewed, considering learning from Covid-19 as well as all the other responses to date. Service Response Plans are also being updated. A request for

volunteers to support the NHS with administration roles was well received with thirty-six members of staff supporting the vaccination programme.

### **Vaccination & Testing**

Work supporting the national vaccination programme continued throughout the year. This included the booster vaccination and vaccinations for school aged children. In terms of the testing programme, we continued to link with district councils to deliver their local strategies and provided support for testing people on the Afghan refugee settlement programme. We also continued to support district councils with out of hours contact tracing. Libraries were continually restocked with test kits.

### **Support Safe Return to Buildings**

The Safer Working Group continued to meet throughout the year and co-ordinated the phased reopening of offices, some of which had been remodelled as part of the Our Ways of Working programme to support flexible and collaborative working. Risk assessments were undertaken, and key messages shared with staff.

### **Recovery Co-ordination**

Throughout the year the focus was on business continuity and the potential impact that high staff absences may have on local public services including NHS, social care, emergency services and utilities. Modelling was undertaken because of the Omicron variant and services drew up plans to deal with up to 40% staff absences. Considering this the Recovery Plan was reviewed and updated.

## **Conclusion**

The current coronavirus pandemic has tested the Council's governance arrangements for a second year, and we are pleased to note that the governance framework continues to provide a strong foundation from which to respond to the challenging circumstances. We recognise the importance of continuously improving our practice, including learning from how we respond to major incidents. We have and we will continue to use this knowledge to ensure that the Council's governance arrangements continue to provide effective foundations for the Council to achieve its objectives.

## Glossary

**Audit, Risk and Governance Committee** - The Committee provides independent oversight of the adequacy of the council's governance, risk management and internal control framework, and oversees the financial reporting process.

**Better Care Fund** - is a programme spanning both the NHS and local government which seeks to join-up health and care services, so that people can manage their own health and wellbeing and live independently in their communities for as long as possible.

**Capital Programme** - identifies agreed capital schemes, showing the total cost of schemes and the projected phasing of those schemes over current and future financial years.

**Care Quality Commission** – is the independent regulator of all health and social care services in England.

**Constitution** - sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decision-making is efficient, transparent, and accountable to local people.

**Corporate Management Team (CMT)** – is the strategic officer leadership body within the council that advise and support the elected members of the council and its key post holders and bodies, including the Cabinet and Overview and Scrutiny.

**Corporate Risk Register** – is a formal record of the major risks facing the county council and the mitigating actions to reduce the risk.

**Directors' Assurance Statements** - provide an assurance on the internal control framework operating within their service(s).

**Equality Impact Assessment** - is a process designed to ensure that a policy, project, or scheme does not discriminate against any disadvantaged or vulnerable people.

**External Audit** - external auditors review financial statements to ensure they are a 'true and fair' account of past financial performance and current financial position.

**General Data Protection Regulation (GDPR)** – is a regulation in EU law on data protection and privacy for all individuals within the European Union (EU) and the European Economic Area (EEA).

**Integrated Care System** – Lancashire & Cumbria Integrated Care System is a partnership which joins up health and social care services.

**Intermediate Care** – services provide support for a short time to help individuals recover and increase their independence.

**Internal Audit** - is an independent, objective assurance and consulting activity designed to add value and improve the county council's operations

**LRF (Local Resilience Forum)** - are multi-agency partnerships made up of representatives from local public services, including the emergency services, local authorities, the NHS, the Environment Agency, and others.

**Medium Term Financial Strategy** - is the Council's key financial planning document. It aims to provide the Council with an assurance that the Council's spending plans are affordable over the medium term.

**Monitoring Officer** - has the specific duty to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do.

**Ofsted** - is the Office for Standards in Education, Children's Services and Skills. They inspect services providing education and skills for learners of all ages.

**Outbreak Control Plan** – sets out how we will prevent and manage Covid-19 cases and outbreaks across the county.

**Passport to Independence** - its aim is to help people stay healthy and self-sufficient (independent) for longer.

**Performance Management** – is the activity and set of processes that aim to maintain and improve performance in line with an organisation's objectives.

**Reserves** – the councils' one-off financial resources available to meet planned or emergency needs, above the resources available in the council's annual budget.

**Risk Management** - is an important part of both corporate governance and performance management. It allows the council to avoid problems and failures, rather than just reacting to them when they arise. It helps the council to identify where it needs to focus its efforts and resources, to exploit more opportunities and suffer fewer failures.

**S151 Officer** - an officer appointed under section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs

**Scheme of delegation** - sets out how the Cabinet and full Council have delegated their executive and non-executive powers.



## Code of Corporate Governance 2022/23

<p><b>What is Corporate Governance?</b></p> <p>Corporate governance is about the systems, processes and values by which Councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.</p> <p>Lancashire County Council is committed to the principles of effective corporate governance and has therefore adopted a Code of Corporate Governance which follows the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled “Delivering Good Governance in Local Government (2016)”</p> <p>The guidance defines the seven core principles, each supported by sub-principles that should underpin the governance framework of a local authority.</p> <ul style="list-style-type: none"> <li>• Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.</li> <li>• Ensuring openness and comprehensive stakeholder engagement.</li> <li>• Defining outcomes in terms of sustainable economic, social and environmental benefits.</li> <li>• Determining the interventions necessary to optimise the achievement of the intended outcomes.</li> <li>• Developing the Council's capacity, including the capability of its leadership and the individuals within it.</li> </ul>	<ul style="list-style-type: none"> <li>• Managing risks and performance through robust internal control and strong public financial management.</li> <li>• Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.</li> </ul> <p><b>What are the benefits of having a Code of Corporate Governance?</b></p> <p>Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. It enables the Council to pursue its priorities effectively as well as underpinning those priorities with mechanisms for control and the management of risk.</p> <p>Lancashire County Council has a good governance framework in place. The documents and arrangements which comprise the framework demonstrate that the Council continually seeks to ensure it is and remains, well governed, through integration of the core principles of the CIPFA/SOLACE framework into all aspects of the Council’s conduct and operation.</p> <p>The Monitoring Officer is responsible for ensuring the Code is reviewed annually, and the outcome of the review, along with adoption of any revision to the Code is reported annually to the Audit, Risk and Governance Committee. It is then presented to Full Council for approval.</p>
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Lancashire County Council Code of Corporate Governance (Principle 1)

Principle 1: <b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law:</b>		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<ul style="list-style-type: none"> <li>• Behaving with integrity</li> <li>• Demonstrating strong commitment to ethical values</li> <li>• Respecting the rule of law</li> </ul>	<ul style="list-style-type: none"> <li>•</li> <li>• Maintain shared values both for the County Council and its officers. These are defined in the corporate strategy and reflect public expectations about the conduct and behaviour of individuals.</li> <li>• Use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the County Council. We demonstrate this by adherence to the constitution.</li> <li>• Have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.</li> <li>• Maintain the Audit, Risk and Governance Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the County Council’s culture.</li> <li>• Have put in place arrangements to ensure that Members and staff of the County Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.</li> <li>• Ensure that systems and processes for financial administration and control together with protection of the County Council’s resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>• Our values               <ul style="list-style-type: none"> <li>○ Supportive</li> <li>○ Innovative</li> <li>○ Respectful</li> <li>○ Collaborative</li> </ul> </li> <li>• Corporate Strategy &amp; Priorities</li> <li>• Annual Governance Statement</li> <li>• The Constitution which includes:               <ul style="list-style-type: none"> <li>• Financial Procedure Rules</li> <li>• Contract Procedure Rules</li> <li>• Anti-Fraud and Corruption Strategy</li> <li>• Anti-Bribery Policy</li> <li>• Rules relating to Members External Interests</li> <li>• Rules relating to Gifts and Hospitality</li> <li>• Codes of Conduct for Members and Employees</li> <li>• Scheme of Delegation</li> <li>• Procedural Standing Orders</li> <li>• Register of Interests</li> <li>• Terms of reference</li> </ul> </li> </ul>



	<ul style="list-style-type: none"><li>• Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate. Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.</li><li>• Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law and integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.</li><li>• Have put in place effective systems to protect the rights of staff. We ensure that policies for whistleblowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.</li><li>• Have established a corporate information governance group (CIGG) with the remit of collecting assurance information across all council functions. Establish a Senior Information Risk Officer and Data Protection Officer.</li><li>• Publish an Annual Governance Statement, signed by the Leader of the Council and the Chief Executive and Director of Resources to confirm that we are satisfied that we have effective governance arrangements in place.</li></ul>	<ul style="list-style-type: none"><li>• Information Security Policy</li><li>• Information Governance Policy</li><li>• Money Laundering Policy</li><li>• Whistleblowing Policy</li><li>• External inspections of accounts</li><li>• Member's induction</li><li>• Complaints Policy</li><li>• Partnership Protocol</li><li>• Job descriptions and Person Specifications</li><li>• Clearance of committee reports</li><li>• Anti-money laundering policy</li><li>• Calendar of meetings</li><li>• CCTV Policy</li><li>• Companies – compliance with Companies Act 2006, directors' duties, LEP assurance framework</li><li>• Councillor – Use of resources, social media, AUP</li><li>• Employee policies &amp; procedures</li><li>• FOI Publication Scheme</li><li>• Grants rules, process, decisions and website</li><li>• Pre-election guidance</li><li>• Election's complaints process, fly posting, website</li><li>• Identifying politically restricted posts</li></ul>
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		<ul style="list-style-type: none"><li>• Local Resilience Forum Agreement (LRF) (CV-19)</li><li>• LRF accountable body</li><li>• Service response to CV-19 pandemic (see Annual Governance Statement 2021/22)</li></ul>
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Lancashire County Council Code of Corporate Governance (Principle 2)

Principle 2: Ensuring openness and comprehensive stakeholder engagement:		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<ul style="list-style-type: none"> <li>• Openness</li> <li>• Engaging comprehensively with institutional stakeholders</li> <li>• Engaging with individual citizens and service users effectively</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that the Council’s vision, strategic plans, priorities and targets are developed in consultation and that they are clearly articulated and disseminated.</li> <li>• Maintain a culture of accountability so that Members and Officers understand to whom they are accountable and for what.</li> <li>• Strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.</li> <li>• Publish reports giving information on the County Council’s strategies, plans and financial statements as well as information about outcomes, achievements.</li> <li>• Deliver effective scrutiny of the County Council’s business as appropriate and produce regular reports on the activities of the scrutiny function.</li> <li>• Ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings.</li> <li>• Attempt to publish all committee agenda items under “part 1” unless there is the need to preserve</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate strategy</li> <li>• Corporate priorities 2021-25 and communication strategy</li> <li>• A New Deal for a Greater Lancashire</li> <li>• Staff Survey</li> <li>• LGA Peer Review action plan</li> <li>• Local Member Grants</li> <li>• Internal Audit reviews</li> <li>• Annual Governance Statement</li> <li>• Family Safeguarding</li> <li>• Special Educational Needs and Disabilities Improvement Plan</li> <li>• The Care, Support and Wellbeing of Adults in Lancashire Vision</li> <li>• The Housing with Care Strategy</li> <li>• Annual report on members allowances</li> <li>• Annual Pay Policy Statement</li> <li>• Freedom of Information Publication Scheme</li> <li>• Research and Consultation Strategy</li> <li>• Research and Consultation Database</li> <li>• Service Specific consultations</li> <li>• Communication Strategy</li> <li>• Constitution</li> </ul>

	<p>confidentiality (where it is proper and appropriate to do so).</p>	<ul style="list-style-type: none"> <li>• Scheme of Delegation</li> <li>• Money Matters budget monitoring reports</li> <li>• Lancashire Health &amp; Wellbeing Strategy</li> <li>• Community Safety Agreement</li> <li>• Director of Public Health Annual Report</li> <li>• Children's Partnership Plan</li> <li>• Statement of Accounts</li> <li>• Scrutiny Reports</li> <li>• County Council Website</li> <li>• Joint Strategic Needs Assessment</li> <li>• Strategic Assessment of Crime &amp; Anti-Social behaviour</li> <li>• Anti-Bribery Policy</li> <li>• Anti-Fraud &amp; Corruption Strategy</li> <li>• Anti-Money Laundering Policy</li> <li>• Calendar of meetings</li> <li>• Companies - Companies database, Companies House database, Compliance with the Companies Act 2006, Directors duties, LCDL Statement of Accounts, LEP Assurance Framework, LEP website</li> <li>• Employee Policies and Procedures</li> <li>• Equalities, Cohesion and Integration Strategy</li> <li>• Equality Impact Analysis</li> <li>• External inspections of accounts</li> <li>• Grants rules, process, decisions and website</li> </ul>
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		<ul style="list-style-type: none"><li>• Health and Safety Policies and Procedures</li><li>• Information Governance Framework</li><li>• Information Security Policy</li><li>• Information sharing policy</li><li>• Partnership Protocol</li><li>• Privacy Impact Analysis</li><li>• Privacy Notice</li><li>• Procedure for complaints against Councillors</li><li>• Publication of Members' Allowances paid 19/20</li><li>• Privacy Impact Analysis</li><li>• Scheme for access of information</li><li>• Local Resilience Forum Agreement (CV-19)</li><li>• Structures to reflect LRF response to CV-19</li><li>• Outbreak Management Plan</li><li>• Community Safety Strategy</li></ul>
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Lancashire County Council Code of Corporate Governance (Principle 3)

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits:		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<ul style="list-style-type: none"> <li>• Defining outcomes</li> <li>• Defining outcomes benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Make a clear statement of the Council’s purpose and priorities and use it as a basis for corporate and service planning.</li> <li>• Publish reports to communicate the Council’s activities and achievements, its financial position and performance.</li> <li>• Ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.</li> <li>• Identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured.</li> <li>• Maintain a Prudential Financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.</li> <li>• Ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Strategy</li> <li>• Corporate priorities 2021-25 and communication strategy</li> <li>• A New Deal for a Greater Lancashire</li> <li>• LGA Peer Review action plan</li> <li>• Local Member Grants</li> <li>• Service Plans</li> <li>• Family Safeguarding model</li> <li>• Special Educational Needs and Disabilities Improvement Plan</li> <li>• The Care, Support and Wellbeing of Adults in Lancashire Vision</li> <li>• The Housing with Care Strategy</li> <li>• Money Matters budget monitoring reports</li> <li>• Director of Public Health Annual Report</li> <li>• Reports to Audit, Risk &amp; Governance Committee</li> <li>• Performance reports to Cabinet Committee on Performance Improvement</li> <li>• Monthly budget monitoring reports</li> <li>• Statement of Accounts</li> <li>• External Auditors letter &amp; reports</li> <li>• External Inspections</li> <li>• Approach to Risk &amp; Opportunity</li> <li>• Treasury Management Strategy</li> </ul>

		<ul style="list-style-type: none"><li>• Capital Investment Strategy</li><li>• Adult Services Annual plan</li><li>• Boost Lancashire's Business Growth Hub</li><li>• Care Act Policies, Procedures and Guidance</li><li>• Children's Social Care</li><li>• Community &amp; Resilience Plan</li><li>• Companies - annual business plans</li><li>• Consultancy Code</li><li>• Consultation and Engagement Procedures</li><li>• Corporate Procurement Strategy, policies and guidance</li><li>• Customer Access Strategy</li><li>• Development Plan</li><li>• Digital by Default Strategy</li><li>• Equalities, Cohesion and Integration Strategy</li><li>• Full Council Framework documents</li><li>• Health and Wellbeing Strategy Delivery Plan</li><li>• Lancashire Children Looked After Sufficiency Strategy</li><li>• Lancashire CLA Residential Strategy</li><li>• Lancashire County Council Dementia Strategy</li><li>• Lancashire Economic Development Strategy</li><li>• Lancashire Economic Partnership (LEP)</li><li>• Lancashire Environment Strategy</li><li>• Lancashire Health and Wellbeing Strategy</li><li>• Lancashire Renewables</li><li>• Libraries, museums and culture strategy</li><li>• Local Transport Plan</li></ul>
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		<ul style="list-style-type: none"><li>• Notice of forthcoming Executive Key Decisions (Forward Plan) and intention to conduct business in private</li><li>• Prevent Strategy and Delivery Plan</li><li>• Property Asset Management Strategy</li><li>• Transport Asset Management Strategy</li><li>• Risk Management framework</li><li>• Roads, parking and travel plans</li><li>• Treasury Management Strategy</li><li>• Youth Justice Plan</li><li>• Digital First Strategy</li><li>• Adult Social Care Winter Plan</li><li>• Strategy for Libraries, Museums, Culture and Archives 2019-24</li><li>• Capital Strategy for Schools</li><li>• Community Safety Strategy</li><li>• Outbreak Management Plan</li><li>• Family Safeguarding model</li><li>• Adherence to the Financial Management Code</li><li>• School Place Planning Strategy</li></ul>
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Lancashire County Council Code of Corporate Governance (Principle 4)

Principle 4: <b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b>		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<ul style="list-style-type: none"> <li>• Determining interventions.</li> <li>• Planning interventions</li> <li>• Optimising achievement of intended outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Make a clear statement of the Council’s purpose and priorities and use it as a basis for corporate and service planning.</li> <li>• Have risk management arrangements in place including mitigating actions to support the achievement of the Council’s intended outcomes.</li> <li>• Ensure that there are effective arrangements in place to monitor service delivery</li> <li>• Put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.</li> <li>• Have prepared contingency arrangements including a disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions.</li> <li>• Provide senior managers and Members with timely financial and performance information.</li> <li>• Ensure that budget calculations are robust and reserves are adequate.</li> <li>• Align financial and performance data to provide an overall understanding of performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Strategy</li> <li>• Corporate priorities 2021-25 and communication strategy</li> <li>• A New Deal for a Greater Lancashire</li> <li>• LGA Peer Review action plan</li> <li>• Family Safeguarding model</li> <li>• Special Educational Needs and Disabilities Improvement Plan</li> <li>• The Care, Support and Wellbeing of Adults in Lancashire Vision</li> <li>• The Housing with Care Strategy</li> <li>• Our approach to Risk &amp; Opportunity Management</li> <li>• Corporate Risk &amp; Opportunity Register</li> <li>• Corporate &amp; service performance dashboards</li> <li>• Highlight Reports</li> <li>• Business Continuity Plans</li> <li>• Emergency Plan</li> <li>• Money Matters budget monitoring reports</li> <li>• Social Value Policy &amp; Framework</li> <li>• Anti-Fraud &amp; Corruption Strategy</li> </ul>

		<ul style="list-style-type: none"><li>• Committee specific training for Scrutiny members</li><li>• Companies - Articles of association, Directors duties, LEP Assurance Framework, Service level agreements</li><li>• Education Scrutiny Committee</li><li>• External Scrutiny Committee</li><li>• Health and Wellbeing Strategy Delivery Plan</li><li>• Health Scrutiny Committee</li><li>• Internal Scrutiny Committee</li><li>• Scrutiny Task Group Meetings/Reports</li><li>• Webcast of all Scrutiny Committee meetings</li><li>• LRF arrangements</li><li>• Corporate Emergency Response Team</li></ul>
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Lancashire County Council Code of Corporate Governance (Principle 5)

Principle 5: <b>Developing the County Council's capacity, including the capability of its leadership and the individuals within it.</b>		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<ul style="list-style-type: none"> <li>• Developing the County Council's capacity</li> <li>• Developing the capability of the County Council's leadership and other individuals</li> </ul>	<ul style="list-style-type: none"> <li>• Through the constitution set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.</li> <li>• Set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.</li> <li>• Have developed protocols to ensure effective communication between Council Members and officers in their respective roles.</li> <li>• Have developed protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.</li> <li>• Set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.</li> <li>• Have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.</li> <li>• Ensure that effective management arrangements are in place at the top of the organisation.</li> <li>• Ensure the Chief Executive is responsible and accountable to the Council for all aspects of operational management.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Improvement Journey and organisational development programme</li> <li>• New Ways of Working</li> <li>• Constitution</li> <li>• Annual Pay Policy</li> <li>• Scheme of Delegation</li> <li>• Leadership Development Programme</li> <li>• Performance Engagement Reviews</li> <li>• Member Development Strategy and Programme</li> <li>• Member Development Working Group</li> <li>• Family Safeguarding model Special Educational Needs and Disabilities Improvement Plan</li> <li>• Scheme of delegation to officers</li> <li>• Induction programme</li> <li>• Health &amp; Wellbeing Policy</li> <li>• Children's Partnership Board - Terms of reference</li> <li>• Code of conduct training for councillors</li> </ul>

	<ul style="list-style-type: none"> <li>• Ensure the Section 151 Officer is responsible to the County Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</li> <li>• Have appointed a professionally qualified and experienced Director of Finance who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the County Council</li> <li>• Ensure the Monitoring Officer is responsible to the County Council for ensuring that the constitution is adhered to.</li> <li>• Assess the skills required by Members including the understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.</li> <li>• We will assess the skills required by officers through the performance engagement process and address any training gaps, to enable roles to be carried out effectively.</li> <li>• We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</li> <li>• We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</li> </ul>	<ul style="list-style-type: none"> <li>• Companies - Articles of association, Directors' duties, Directors' induction packs, Directors' induction training, Internal controls manuals</li> <li>• Corporate induction e-learning</li> <li>• Councillors - Internet and email acceptable use policy, Provision and use of resources, Use of social media, Fair Use Policy for Mobile Phones</li> <li>• County Councillor Training Records</li> <li>• Generic Job descriptions/specifications for officers</li> <li>• Internet, Email and Telephone Acceptable Use Policy for staff</li> <li>• Lancashire County Council Behaviour Framework</li> <li>• Leadership Development Programme</li> <li>• Mandatory e-learning modules</li> <li>• Recruitment &amp; Selection Policy</li> <li>• Local Resilience Forum Agreement (LRF) (CV-19)</li> <li>• Structures to reflect LRF response to CV-19</li> <li>• LRF accountable body</li> </ul>
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	<ul style="list-style-type: none"><li>• We provide the Director of Finance with the resources, expertise and systems necessary to perform the role effectively within the County Council.</li><li>• We will provide the Executive Director Education &amp; Children's Services with the resources, expertise and systems necessary to perform the role effectively within the Council and respond to the last Ofsted &amp; Special Educational Needs &amp; Disability inspections.</li></ul>	
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Lancashire County Council Code of Corporate Governance (Principle 6)

Principle 6: <b>Managing risks and performance through robust internal control and strong public financial management.</b>		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<ul style="list-style-type: none"> <li>• Managing risk</li> <li>• Managing performance</li> <li>• Robust internal control.</li> <li>• Managing data.</li> <li>• Strong public financial management</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain an effective Audit, Risk &amp; Governance Committee which is independent of the executive and scrutiny functions.</li> <li>• Enable the Director of Finance to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.</li> <li>• Ensure that risk management is embedded into the culture of the County Council, with Members and managers at all levels recognising that risk management is part of their job.</li> <li>• Ensure our arrangements for financial and internal control and management of risk are formally addressed within the annual governance reports.</li> <li>• Ensure effective internal control arrangements exist for sound financial management systems and processes.</li> <li>• Ensure that a Corporate Performance Summary is presented to the Cabinet Committee for Performance Improvement on a quarterly basis</li> <li>• Ensure that quarterly performance reports are produced and used to hold Cabinet Members and officers to account</li> </ul>	<ul style="list-style-type: none"> <li>• Audit, Risk &amp; Governance Committee</li> <li>• Money Matters budget monitoring reports</li> <li>• Approach to Risk Management and publication of a quarterly Corporate Risk &amp; Opportunity Register</li> <li>• Annual Governance Statement</li> <li>• Performance reports presented to CCPI</li> <li>• Internal Audit Reports</li> <li>• Project Accuracy</li> <li>• O&amp;S arrangements</li> <li>• Information Governance Strategy</li> <li>• Data Protection Policy</li> <li>• Companies - account filed in accordance with all regulations, Companies House Database, LEP performance committee, own audit &amp; finance committees e.g. active</li> </ul>

		<p>companies, Quarterly monitoring reports, Regular financial monitoring reports, Risk Management reports</p> <ul style="list-style-type: none"><li>• Audit, Risk &amp; Governance Committee - terms of reference</li><li>• External Auditors letter &amp; reports</li><li>• Internal Audit Plan 2022/2023</li><li>• Internal Audit Reports</li><li>• Lancashire County Pension Fund - Annual Governance Statement</li><li>• Peer Reviews</li><li>• Local Code of Corporate Governance</li><li>• External reports protocol</li><li>• Directors Assurance statement</li><li>• Project Plans and Risk Registers</li><li>• Health and Wellbeing Board revised terms of reference</li><li>• Health and Wellbeing Strategy Delivery Plan</li><li>• Lancashire Insight website</li><li>• Medium Term Financial Plan</li></ul>
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		<ul style="list-style-type: none"><li>• Minutes of committee meetings</li><li>• Monthly budget monitoring reports</li><li>• Notice of forthcoming Executive Key Decisions (Forward Plan) and intention to conduct business in private</li><li>• Partnership Protocol</li><li>• Peer Review</li><li>• Performance Management</li><li>• Quarterly Performance Highlight Reports</li><li>• Statement of Accounts</li><li>• Treasury Management Strategy</li><li>• Webcasting of committee meetings</li><li>• Public Bond issue</li></ul>
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Lancashire County Council Code of Corporate Governance (Principle 7)

Principle 7: Implementing good practices in transparency, reporting and audit to deliver effective accountability		
Supporting Principles	To meet the requirements of this Principle, Lancashire County Council will;	This will be evidenced by:
<ul style="list-style-type: none"> <li>• Implementing good practice in transparency</li> <li>• Implementing good practices in reporting</li> <li>• Assurance and effective accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with the local government transparency code and publish all required information in a timely manner.</li> <li>• Have established a medium-term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.</li> <li>• Put in place effective transparent and accessible arrangements for dealing with complaints.</li> <li>• Maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall.</li> <li>• Maintain an effective Audit, Risk &amp; Governance Committee which is independent of the Executive and Scrutiny committees.</li> <li>• Ensure an effective internal audit function is resourced and maintained.</li> <li>• Maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</li> <li>• Attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so</li> <li>• Put in place arrangements for whistle-blowing to which staff and all those contracting with the County Council have access.</li> </ul>	<ul style="list-style-type: none"> <li>• Medium Term Financial Strategy</li> <li>• Complaints Procedures</li> <li>• Scrutiny Committees</li> <li>• Audit, Risk &amp; Governance Committee</li> <li>• Constitution</li> <li>• Modern.Gov</li> <li>• Whistle-blowing Policy</li> <li>• Monthly budget monitoring reports</li> <li>• Annual Pay Policy</li> <li>• Statement of Accounts</li> <li>• External Audit Reports</li> <li>• Annual Governance Statement</li> <li>• Approach to Risk Management &amp; publication of a quarterly Risk &amp; Opportunity register</li> <li>• Companies - Companies House database, LCDL - Statement of Accounts, LEP Assurance Framework, own audit &amp; finance</li> </ul>

	<ul style="list-style-type: none"> <li>• Produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.</li> <li>• Maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.</li> <li>• Publish annually details of County Councillors remuneration and expenses</li> </ul>	<p>committees e.g. active companies</p> <ul style="list-style-type: none"> <li>• Data Protection Policy</li> <li>• External inspections e.g. Ofsted</li> <li>• External inspections of accounts</li> <li>• Information Governance Framework</li> <li>• Internal Audit Plan</li> <li>• Internal Audit Reports</li> <li>• Money Matters budget monitoring reports</li> <li>• O&amp;S arrangements</li> <li>• Performance Reports</li> </ul>
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## **Audit, Risk and Governance Committee**

Meeting to be held on Monday, 25 April 2022

Electoral Division affected: None;
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### **Code of Conduct - Review**

Contact for further information:

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#### **Executive Summary**

The Audit Risk and Governance Committee is asked to consider the outcome of a review of the Code of Conduct for Councillors undertaken by the Political Governance Working Group.

#### **Recommendation**

The Committee is asked to agree that:

- i) The County Council's existing code of conduct for councillor be retained; and
- ii) Full Council be recommended to approve that the threshold at which councillors must declare gifts and hospitality offered or received in their role as councillors be increased from £25 to £50.

#### **Background and Advice**

In January 2021, the Audit Risk and Governance Committee requested that Full Council ask the Political Governance Working Group to review the County Council's Code of Conduct, following the publication of a model Code by the Local Government Association. This request was approved by Full Council.

The Political Governance Working Group have carried out this review and have recommended that the current Code of Conduct is retained, but that there is an increase to the threshold for the declaration of gifts and hospitality from £25 to £50.

#### **Review of the Code of Conduct**

The Political Governance Working Group met between November 2021 and February 2022. The Group considered the council's existing Code of Conduct for Members ("the existing code") and the model code of conduct produced by the Local Government Association ("the LGA model code").

The Working Group also considered information on other councils' positions on the LGA model code.

The key findings of the group were:

- There was not considered to be a pressing need for reform – in general, there was a high degree of conformity with the code and relatively few complaints.
- Whilst the structures and layouts of the existing code and the LGA model code were substantially different, the content was not – both codes covered the same issues and emphasised the same behaviours.
- One of the intended benefits of the LGA model code was that it would be adopted universally by councils and the issue of different councils operating different codes would be overcome. However, the Group received evidence that there had not been widespread adoption of the LGA model code by those councils which had considered it. Additionally, a number of councils had adopted parts of the LGA model code, or had adapted or amended the LGA model code, meaning the possible benefit of consistency was not likely to be forthcoming.
- The issue of sanctions for councillors who breach the code of conduct was not a matter covered by either the existing code or the LGA model code. The issue remains that the current legislation gives no legal force to any sanctions (other than the fact of sanction itself). The Working Group acknowledged the role of political groups in enforcing and upholding standards.
- Overall, it was felt that, whilst there were no objections to the LGA model code, nor were there any pressing reasons to change the council's existing code. As the existing code was well understood by councillors and there was a high level of compliance, the Working Group recommended that the existing code should be retained.
- The Working Group noted that the LGA model code proposed that the threshold at which councillors should declare gifts and hospitality offered or received in their role as councillors should be £50. The existing code sets the figure at £25, where it has been for at least 20 years. It was agreed that it would be appropriate to raise the threshold to £50. This amendment could be achieved within the terms of the existing code.

## **Consultations**

N/A

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

The council is required by statute to operate a Code of Conduct.





# Agenda Item 15

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

