

Lancashire County Council

Audit, Risk and Governance Committee

Minutes of the Meeting held on Monday 25th July 2022 at 2.00 pm in the Ribble Suite - The Exchange - County Hall, Preston

Present:

County Councillor Alan Schofield (Chair)

County Councillors

R Bailey

M Maxwell-Scott

J Berry

J R Singleton JP

M Clifford

County Councillor Matthew Maxwell-Scott replaced County Councillor John Shedwick at this meeting. County Councillor Jeff Couperthwaite joined the meeting virtually via Microsoft Teams.

1. Apologies

The Chair welcomed everyone to the meeting.

No apologies were received.

2. Constitution, Membership and Terms of Reference

The committee considered a report detailing the membership, Chairmanship and Terms of Reference for the 2022/23 municipal year.

Members queried whether the committee membership was large enough and were informed that the political groups could raise this question with the Political Governance Working Group.

Resolved: That

- i) The appointment of County Councillor A Schofield as Chair and County Councillor J Singleton as Deputy Chair of the Audit, Risk and Governance Committee for the 2022/23 municipal year be noted;
- ii) The membership of the committee, following the county council's Annual Meeting held 26 May 2022, be noted; and
- iii) The Audit, Risk and Governance Committee Terms of Reference be noted.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

County Councillor Matthew Maxwell-Scott declared a non-pecuniary interest in matters on the agenda, as a Director of Lancashire County Developments Limited.

4. Minutes of the Meeting held on 25 April 2022

Resolved: That the minutes of the Audit, Risk and Governance Committee meeting held on 25 April 2022 be confirmed as an accurate record.

5. Treasury Management Activity 2021/22

Mike Jensen, Director of Investment presented a review of the council's treasury management activities occurring in the financial year 2021/22 and the position at 31 March 2022.

It was highlighted that the council had been affected by rising inflation rates due to global factors, though there had been relatively little change in the council's overall approach relating to debt and investment.

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

- At the start of the financial year, it was expected that the council's debt and investment positions would gradually decline, and this expectation had been met.
- As debts matured, the council would use liquidity to repay them if the borrowing was not to be renewed.
- Regarding prudential indicators, the difference between the expected and actual levels of debt were notably different because the council's authorised limits were left high to allow for extraordinary circumstances related to the pandemic. The movements had not been as extreme as expected.

Further to a question about the financial close of PFI projects, it was requested that a list of previous PFI projects be shared with members after the meeting.

The Chair thanked Mike for his presentation to the committee and for supporting the Treasury Management training session held for members on 23 June 2022.

Mike expressed his thanks to Andy Ormerod, Investment Manager for his excellent work over the last year.

Resolved: That the review of treasury management activity 2021/22, as presented, be noted.

6. Approval of the Council's Statement of Accounts for 2021/22

Khadija Saeed, Head of Corporate Finance presented the Statement of Accounts 2021/22 for Lancashire County Council and the Lancashire County Pension Fund for the committee's approval.

It was highlighted that the committee training session relating to the Statement of Accounts, held on 12 July 2022, had outlined the salient elements of the accounts and that the narrative report at the beginning also provided members with a summary of the overall position.

The committee's attention was drawn to two corrections required in the Statement of Accounts:

- On page 26, the date for approval of the accounts by the committee should have read 25 July 2022.
- On page 220, an additional audit relating to LPPA's administration of benefits should have been listed as follows: Annual Events and Aggregation – Deloitte.

It was noted that the above corrections would be made and that the committee would receive the Statement of Accounts again alongside the external auditor's final report, when that was made available.

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

- District councils had responsibility for the collection of council tax, and the county council included some provision in the budget in case the expected amount was not received.
- The external audit fees had increased from 2020/21 to 2021/22 due to the additional statutory requirements placed on auditors. A report to explain the fee increases had been shared with committee members following the meeting held on 25 April 2022 and would be circulated again after the meeting.
- The council's financial performance, particularly gross expenditure by service, was compared to other authorities. Benchmarking against other authorities was carried out during the budget setting process to identify higher spending areas. The proportion of council expenditure on social care services was usually high in upper tier authorities.
- The Statement of Accounts included a section on grants unapplied, to cover any such monies received and not yet spent. Information about specific schemes was not included in the Statement of Accounts, but information on Section 278 agreements could be provided to members after the meeting.

- Regarding page 105 of the Statement of Accounts, clarification on why a credit rating was not applicable to one of the council's long-term investments would be provided after the meeting.

Resolved: That the Statement of Accounts 2021/22 for Lancashire County Council and the Lancashire County Pension Fund be approved, subject to:

- i) On page 26, the date for approval of the accounts being amended from 21 December 2021 to 25 July 2022; and
- ii) On page 220, the audit of Annual Events and Aggregation by Deloitte being added to the list of assurance relating to LPPA's administration of benefits.

7. Response to the Information Request from the External Auditor

The committee considered a report detailing the proposed management response to the external auditor's annual information request, which provides the external auditors with information to support their work.

Resolved: That the management response to the information request from the external auditor, as presented, be approved.

8. Update on Management's Responses to the Recommendations of the External Auditor

The committee considered a report which provided an update on management's responses to the improvement recommendations of the external auditor.

It was highlighted that the auditor's annual report for 2020-21 had not included any statutory or key recommendations.

Members commended the recent changes to the council's Overview and Scrutiny function, including the training programme delivered by the LGA, but expressed concern that 'think councillor' was not widely adopted by officers. It was highlighted that councillors required regular, local information to effectively carry out their role. This issue had also been raised during the councillor survey earlier in 2022, and the committee was informed that work was ongoing to address it.

Resolved: That the update on management's responses to the recommendations of the external auditor be noted.

9. 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 2021/22, for the

period to 30 June 2022. The committee was informed that the date in Table 4.4 should have read 30 June 2022.

In response to queries from members, it was highlighted that:

- For the 96 audits with follow-up work scheduled for 2022-23, completion dates were in place to monitor services' actions.
- There were different levels within audit assurances, so an audit may receive moderate assurance even with areas of high risk identified. For example, the audit of the council's Disclosure and Barring Service Policy and Process.
- The Bank Mandate Special Investigation was carried out instead of an audit, following a near miss incident of mandate fraud. The investigation led to a number of improvement recommendations being made to strengthen the council's controls.
- The scope of the audit on the Facilities Management Cleaning Service had covered the service's cleaning strategy, resource and budget planning, and performance standards and monitoring. As such, it had not included a value for money assessment.
- The Corporate Performance Management report to Cabinet on 9 June 2022 had included information on sickness absence level across the whole council. Further details on the audit of sickness absence management in the Older People Service and the actions agreed could be shared with members after the meeting.
- Work was ongoing to introduce a better follow-up report for all internal audits completed so that, in the future, the information provided on page 313 on follow-up work could be expanded.

The committee thanked Andy for the level of detail provided, which could also help to inform the work of the Overview and Scrutiny Committees.

Resolved: That the Internal Audit Progress Report be noted.

10. Internal Audit Charter

Andy Dalecki, Head of Internal Audit presented the updated Internal Audit Charter, which had been updated to ensure it continued to support the Internal Audit Service's activities.

Regarding the key change to the Charter at paragraph 1.2, it was highlighted that close working between the Internal Audit Service and the Corporate Management Team (CMT) continued even though the Charter no longer required CMT's approval.

It was noted that the Charter was only presented to the committee when it was amended, rather than on an annual basis.

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

11. External Audit - Audit Progress Report and Sector Update

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

It was highlighted that:

- The auditors were in ongoing discussions with CIPFA about their guidance on infrastructure assets. This was a national issue which could pose a risk to them meeting the deadline for the auditor's report in November 2022.
- It was a good achievement that the county council had made its accounts available by 15 June 2022.

In response to a query, the committee was informed that the statutory deadline was increasingly viewed as a target rather than a hard deadline, due to the increasing audit requirements and complexities. All local authorities were facing similar challenges.

It was noted that the audit findings report presented to October's committee meeting was likely to include notification of an increase in audit fees.

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

12. Corporate Risk and Opportunity Register - Quarter 1 Update

Paul Bond, Head of Legal, Governance and Registrars presented the updated Corporate Risk and Opportunity Register for Quarter 1 of 2022/23.

It was highlighted that two risk entries, relating to Counter Terrorism and Cyber Security, contained exempt information and were included in Part II of the agenda.

In response to queries about the risk of insufficient school places, members were advised that risks and opportunities related to the possible move to academisation would be identified later in the year when more would be known about the council's response to the Schools Bill. The committee was also informed that school places was scheduled to be reviewed by the Children, Families and Skills Scrutiny Committee in the Autumn.

Resolved: That the updated Corporate Risk and Opportunity Register be noted.

13. Chairman's Annual Report

County Councillor Alan Schofield, Chair of the Audit, Risk and Governance Committee presented the Chairman's Annual Report for 2021/22.

Members highlighted that detail of committee members' attendance at meetings was not included in the report. The Chair agreed to consider including this information as part of the 2022-23 annual report, without naming members.

The committee recognised and thanked officers from the Internal Audit Service and Legal Services for their work to support the council in different roles during the pandemic.

Resolved: That the Chairman's Annual Report for 2021/22 be noted.

14. Draft Work Plan 2022/23

The committee reviewed the draft work plan of the Audit, Risk and Governance Committee for 2022/23.

The committee's attention was drawn to the addition of an annual report on the Regulation of Investigatory Powers Act (RIPA). It was noted that the report would cover any covert activity of the council's Trading Standards service. An annual report had previously been presented to scrutiny but following the changes to the Overview and Scrutiny structure officers had agreed that the Audit, Risk and Governance Committee was better placed to review the governance and safeguards around the council's use of RIPA.

In response to a query on whether the committee should review the council's use of RIPA more frequently, members were advised that an annual report was appropriate so as not to compromise any ongoing investigations and because it would usually be a nil report.

Resolved: That the Audit, Risk and Governance Committee work plan for 2022/23 be noted.

15. Urgent Business

None.

16. Date of Next Meeting

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 17 October 2022 at 2.00 pm, at County Hall, Preston.

17. Exclusion of Press and Public

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

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

18. Appendix 'B' to Item 12 - Corporate Risk and Opportunity Register - Quarter 1 Update

(Not for Publication - Exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.)

The committee considered the private and confidential Appendix B to Item 12 – Corporate Risk and Opportunity Register – Quarter 1 Update.

Resolved: That Appendix B to Item 12 – Corporate Risk and Opportunity Register – Quarter 1 Update, be noted.

19. Counter Fraud, Special Investigations and Whistleblowing Annual Report

(Not for Publication - Exempt information as defined in Paragraphs 2, 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.)

Andy Dalecki, Head of Internal Audit presented a private and confidential report outlining the work completed during 2021/22 to prevent, detect and investigate fraud and corruption within the county council.

Members highlighted that fraud ultimately cost taxpayers.

Queries were raised by committee members on the council's approach to discouraging fraudulent claims, criminal investigation of fraud, the council's policy on whistleblowing cases relating to the tendering process, and the Internal Audit Service's role relating to fraud and whistleblowing.

Resolved: That the Counter Fraud, Special Investigations and Whistleblowing Annual Report be noted.

L Sales
Director of Corporate Services

County Hall
Preston