

Lancashire County Council

Audit, Risk and Governance Committee

Monday 17th October 2022 at 2.00 pm in Committee 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 25 July 2022** (Pages 1 - 10)
To be confirmed and signed by the Chair.
- 4. External Audit: Lancashire County Council Audit Findings Report 2021/22** (Pages 11 - 50)
- 5. External Audit: Lancashire County Pension Fund Audit Findings Report 2021/22** (Pages 51 - 78)
- 6. Internal Audit Progress Report** (Pages 79 - 114)
- 7. Anti-Fraud and Anti-Corruption Policy Documents** (Pages 115 - 170)
- 8. Corporate Risk and Opportunity Register - Quarter 2 Update** (Pages 171 - 196)
- 9. 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.

10. Date of Next Meeting

The next meeting of the committee will be held on Monday 30 January 2023 at 2.00 pm at County Hall, Preston.

11. 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)

12. Appendix 'B' to Item 8 - Corporate Risk and Opportunity Register - Quarter 2 Update (Pages 197 - 200)

(Not for Publication – Exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A to the Local Government Act, 1972.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 interests in disclosing the information).

13. Update on the Overpayment of Salaries (Pages 201 - 204)

(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).

14. RIPA Policy - Annual Review (Pages 205 - 262)

(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 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 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

Audit, Risk and Governance Committee
Meeting to be held on 17 October 2022

Electoral Division affected:
(All Divisions);

External Audit – Lancashire County Council Audit Findings Report 2021/22

Contact for further information:
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Executive Summary

The external auditor is required to report to the Audit, Risk and Governance Committee their audit findings prior to concluding their work. The report at Appendix A covers the overall findings of the external auditor in relation to:

- The audit of the annual accounts of Lancashire County Council; and
- The value for money approach and findings to date.

Recommendation

The Audit, Risk and Governance Committee is asked to note:

- i) The findings in the report, the minor disclosure updates made to the financial statements and the other issues raised by the auditor which are set out in the report; and
- ii) That an updated report will be presented to the committee meeting on 30 January 2023.

Background and Advice

Attached at Appendix A is the external auditor's annual audit findings report for Lancashire County Council for the 2021/22 audit. The report has been produced in accordance with the National Audit Office Statutory Code of Audit Practice for Local Government bodies.

Sarah Ironmonger, Partner, and Stuart Basnett, Engagement Manager, will attend the meeting to present the report and answer any questions.

Consultations

The report has been agreed with the county council's management.

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

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



The Audit Findings for Lancashire County Council

Year ended 31 March 2022

5 October 2022



Contents



Your key Grant Thornton team members are:

Sarah Ironmonger

Key Audit Partner

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Stuart Basnett

Senior Manager

E Stuart.H.Basnett@uk.gt.com

Daniel Buck

Assistant Manager

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The Key Audit Partner(s) for Authority's Material Subsidiary is: Key Audit Partner – Mark Bradley

Firm : Beaver & Struthers LLP

Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit Opinion
- E. Audit letter in respect of delayed VFM work

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Sarah Ironmonger
For Grant Thornton UK LLP
Date : 5 October 2022

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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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire County Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit is being completed remotely during July-November. Our findings are summarised on pages 4 to 27. Whilst our audit work remains ongoing, to date, we have identified one adjustment to the financial statements that has resulted in an adjustment to the Group's Comprehensive Income and Expenditure Statement. This adjustment is due to information not being available at the time the draft accounts were prepared. There is no impact on the "single entity" accounts of the Council.

All misclassification & disclosure amendments to the accounts are detailed in Appendix B. We have not raised any new recommendations for management as a result of our audit work. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.

Our work is still ongoing, there are two outstanding matters that need resolution before we are able to conclude whether our audit report is unmodified or not. The two matters are; valuation of land and buildings and the carrying amounts of infrastructure assets. For the valuation of land and buildings, we are currently in discussion with management and our audit technical team to determine the most appropriate way to address the difference identified. For infrastructure assets there is a sector wide solution being discussed which we will update you on as the matter progresses.

We intend to bring an updated Audit Findings report to the January Audit, Risk & Governance Committee, at which time we anticipate being able to provide further details on the proposed audit opinion.

Below are the key audit work still to be completed:

- Completion of our sample testing for land & buildings valuations, and challenge of the Council's valuer, in particular with regards to ensuring the carrying value of land and buildings included on the accounts are not materially different to their current value had they been revalued as at 31/3/22
- Completion of our testing over risk-assessed journals
- Completion of our sample testing on income, expenditure and payroll
- Completion of our audit procedures on the valuation of the net pension liability;
- Completion of our sampling procedures over non-significant risk areas as well as our work on some minor disclosure notes;
- Further responses and review of the work performed by the component auditor
- Final reviews of the audit file by the Audit Manager, Engagement Leader and Review Partner;
- Finalisation and agreement of responses to the "hot review" of the accounts
- Resolution of the national issue regarding infrastructure assets
- Updating our post balance sheet review to the date of the audit opinion.
- receipt of management representation letter; and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of the governance arrangements over key capital projects where the Council is the accountable body. Our work on this risk remains ongoing as detailed on page 24 of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

We intend to delay the certification of the closure of the 2021/22 audit of Lancashire County Council in the audit report, as detailed in Appendix D, due to not having yet completed the work on assessing the council's arrangements for securing value for money or the Whole of Government Accounts (WGA) procedures. We also can not certify the closure of the audit until we have completed our consideration of matters brought to our attention by the Council in 2013. We are continuing to monitor developments with the ongoing Police investigation. Once the Police investigation is concluded, and we have had an opportunity to consider the outcome, we will assess the implications for our audit of the Council.

Significant Matters

As outlined in more detail on page 13, there is an ongoing national issue in relation to the historic accounting for infrastructure assets. We are currently awaiting further information from CIPFA on whether a statutory override will be issued to address the issue.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that assurance was required over specific group risks of management override of controls and the valuation of investment properties. These procedures were performed by the component auditor, Beever & Struthers, and reviewed by us as the group auditor.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 25 April 2022.

Conclusion

We are still in the process of completing our audit of your financial statements. There are two outstanding matters that need resolution before we are able to propose what type of audit report we will issue. The two matters are; valuation of land and buildings and the carrying amounts of infrastructure assets. For the valuation of land and buildings, we are currently in discussion with management and our audit technical team to determine the most appropriate way to address the difference identified. For infrastructure assets there is a sector wide solution being discussed which we will update you on as the matter progresses.

We intend to bring an updated Audit Findings report to the January Audit, Risk & Governance Committee, at which time we anticipate being able to provide further details on the proposed audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of 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.

Materiality levels remain the same as reported in our audit plan on 25 April 2022.

We detail in the table to the right our determination of materiality for audit of Lancashire County Council and the group audit.

	Group Amount (£m)	Council Amount (£m)	Qualitative factors considered
Materiality for the financial statements	34.081	34.063	The threshold above which could reasonably be expected to influence the economic decisions of the reader of the financial statements. We have set this at 1.45% of prior year gross expenditure
Performance materiality	25.560	25.547	The amount set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. We have set this at 75% of materiality
Trivial matters	1.703	1.703	Based upon 5% of materiality for the financial statements.
Materiality for Senior Officer Remuneration	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.		



2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls (Group & Council)

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.

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.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness

Our substantive testing of the journals posted by management, based upon a risk-scoring method remains on-going, our audit work completed to date has not identified any evidence of inappropriate management override of controls. As with previous years, the Council does not have authorisation controls in place over journals – refer to page 30 for further details.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

ISA 240 revenue improper recognition risk (Group & Council)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

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:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Lancashire County Council, mean that all forms of fraud are seen as unacceptable.

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.

As detailed in our Audit Plan, which was communicated to the Audit, Risk & Governance Committee on 25 April 2022, we have rebutted this risk.

Our procedures which we have performed on the Group and Council's financial statements have not identified any issues which would cause us to alter this assessment.

Risk of fraud related to expenditure recognition - Practice Note 10 (Group & Council)

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).

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.

As detailed in our Audit Plan, which was communicated to the Audit, Risk & Governance Committee on 25 April 2022, we have rebutted this risk.

Our procedures which we have performed on the Group and Council's financial statements have not identified any issues which would cause us to alter this assessment.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation assumptions of the pension fund net liability (Council Only)

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.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,148m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have:

- updated 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;
- evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested 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;
- undertaken 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;
- reviewed whether the pension fund has reported any material uncertainty in relation to investment property valuations as at 31 March 2022 and, if so, assessed the impact on disclosures in the financial statements and on our audit opinion; and
- obtained 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.

Our audit procedures in this area remains on going at the time of writing this report. To date we have not identified any significant issues in relation to valuation of the net pension liability which require reporting to Those Charged with Governance.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of land and buildings – specifically for assets where valuation movements are not in line with expectations (Council Only)

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.

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.

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.

Commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer and discussed with them the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation
- tested a sample of valuations at 31 March 2022 to understand the information and assumptions used in arriving at any revised valuations
- tested a sample of revaluations made during the year to see if they had been input correctly into the Council's fixed asset system
- evaluated the assumptions made by management for those assets not revalued during the year and assessed how management has satisfied themselves that these are not materially different to current value at year end.

Our substantive testing of a sample of the Council's land and buildings valuations remains ongoing.

In line with CIPFA guidance, the valuation date used by the valuer was 1 April 2021. Management also revalue all assets over a three year basis. We have challenged management's assessment that the valuation of assets not valued during 2021-22, as well as those valued on 1 April 2021, are not materially different to their valuation if they had all been valued as at 31 March 2022. Management have applied indices to uplift all asset values to a projected valuation as at 31/3/22. Our initial work assessing the valuation of assets within the Council's accounts compared to the valuation had all assets had been valued as at 31 March 2022 identified a significant material difference. We are currently in discussion with management and our audit technical team to determine the most appropriate way to address the difference identified.

In light of current levels of inflation and the impact this has on build cost indices, the Council may wish to reconsider the current timing of valuations and moving the valuation date closer to the year-end to reduce the potential for material differences between the carrying value and current value of assets.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of Investment Properties (Group Only)

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.

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.

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.

Commentary

As detailed on page 12, we 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 requested the component auditor to perform the following responses to this risk:

- Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- Evaluate the competence, capabilities and objectivity of the valuation expert
- 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
- 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.
- Assess the instructions to the valuer, the valuer report and the assumptions that underpin the valuation
- Test revaluations made during the year to see if they had been input correctly into the asset register
- 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.

Our work on this risk remains ongoing. We are reviewing the work performed by the component auditor to gain assurance over the valuation of these assets and considered the size of the investment property portfolio. The total value of investment properties at £86.2m would need to be misstated by 40% for there to be material error in the group accounts.

2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Lancashire County Developments Limited	Beever & Struthers LLP	We have reviewed the consolidation undertaken by the Council and are reviewing the work undertaken by the company's auditor on those entries that are material to the financial statements of the Group which includes work performed on the significant risks of management override of controls and the valuation of investment properties. Further detail on specific work performed against these risks can be found on pages 7 and 11.	<p>The consolidation of Lancashire County Developments Limited has been agreed through to the supporting records of the Council and to the audited company accounts.</p> <p>We have received confirmation from the component auditor that there are no further issues that should be reflected in the group accounts.</p> <p>Our work on these risks remains ongoing. We are reviewing the work performed by the component auditor to gain assurance over the work performed on the risk of management override of controls as well as that performed on the valuation of the two investment property assets. We considered the size of the investment property portfolio, with the total value of investment properties at £86.2m, the balance would need to be misstated by 40% for there to be material error in the group accounts.</p>

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>Valuation of Infrastructure Assets</p> <ul style="list-style-type: none">The Code requires infrastructure assets to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. Lancashire County Council has material infrastructure assets, at both a gross and net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.	<p>CIPFA has established a Task and Finish Group to address an issue regarding the derecognition of parts of infrastructure assets following 'replacement' expenditure.</p> <p>CIPFA is currently considering the approval of an update to the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) following the outcomes of the consultation on the removal of the need to report gross cost and accumulated depreciation.</p> <p>CIPFA is working with the government on the possibility of statutory prescription regarding the transaction for the derecognition of parts of infrastructure assets that have been replaced or restored. CIPFA understands that the Department for Levelling Up, Housing and Communities is considering legislative prescription to support local authorities. Government will update on the position in the near future.</p>	<p>We have been discussing this matter with management and keeping them informed of national updates when we receive them. We have sent management a number of questions linked to Infrastructure assets to further understand the way in which they have been accounted for historically at the Council.</p> <p>At this time we believe that waiting for confirmation of the introduction of a statutory override is the best option for resolving this issue.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £1,986.9m	<p>Other land and buildings comprises £1,626m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUUV) at year end.</p> <p>The Council has engaged its internal valuation team to complete the valuation of the majority of properties as at 1 April 2021 on a three yearly cyclical basis. To determine that the carrying value of those assets valued at 1 April 2021 (and also assets not valued in 21/22) is not materially different to their current value, management perform an indexation analysis to project the asset values and assess whether there is a material difference. The assessment is supported by market commentary and indices provided by the internal valuation team.</p> <p>Circa 50% of total assets (by value) were revalued during 2021/22. The valuation of properties valued by the valuer has resulted in a net decrease of £38m in value. Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 1 April 2021, based on the market review provided by the valuer as at 31 March 2022, to determine whether there has been a material change in the total value of these properties.</p> <p>The total year end valuation of other land and buildings was £1,986.9m (2019/20 £2,026.1m).</p>	<ul style="list-style-type: none"> We have assessed the Council's internal valuer, to be competent, capable and objective We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts. Valuation methods remain consistent with the prior year In relation to challenging whether the carrying value of assets is not materially different to the current value as at 31 March 2022, we have compared the Gerald Eve (valuation specialists) report indices to those used by management and challenged management on the resulting difference to the assessment of the valuation of the assets not formally valued in year. Our initial work assessing the valuation of assets within the Council's accounts compared to the valuation had all assets had been valued as at 31 March 2022 identified a significant material difference. We are currently in discussion with management and our audit technical team to determine the most appropriate way to address the difference identified. We are unable to determine an assessment of this estimate until we have obtained further information and assurance over the difference between the carrying value of assets and their current value as at 31 March 2022. 	TBC

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £86.2m	<p>The Council's subsidiary company, Lancashire County Developments Limited, has engaged Cushman & Wakefield to complete the valuation of properties as at 31 March 2022. Only two properties make up the portfolio and both were revalued as at 31/3/22.</p> <p>The fair value of the properties has been primarily derived using comparable recent market transactions on arm's length terms. Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties.</p> <p>The total year end valuation of investment property was £86.2m, a net increase of £16.1m from 2020/21 (£70.1m).</p>	<p>As part of our group audit we have communicated our group instructions with the auditor of LCDL, Beever & Struthers LLP. We have discussed the programme of work required for us to gain assurance over the valuation of the investment properties.</p> <p>As outlined on page 11, this work remains ongoing. No issues have been identified to date. The total value of investment properties at £86.2m would need to be misstated by 40% for there to be material error in the group accounts.</p>	Light Purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £1,148.2m

The Council's total net pension liability at 31 March 2022 is £1,148.2m (PY £1,516.2m) comprising the Lancashire County Local Government pension scheme and unfunded defined benefit pension scheme obligations.

The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and investment returns.

Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The Council has seen a £368m net decrease in Net Liability Related to Defined Benefit Pension Scheme during 2021-22.

- We have assessed the Council's actuary, Mercers, to be competent, capable and objective
- We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2021/22 roll forward calculation carried out by the actuary and have no issues to raise.
- We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.8%	2.7 - 2.8%	●
Pension increase rate	3.3%	3% - 3.5%	●
Salary growth	4.8%	4.25% - 5%	●
Life expectancy – Males currently aged 45/65	Pensioners: 22.3 years Non-pensioners: 23.7 years	20.7 - 23.3 22.2 - 24.8	●
Life expectancy – Females currently aged 45/65	Pensioners: 25.0 years Non-pensioners: 26.8 years	23.8 – 25.5 25.7 – 27.5	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2021/22 to the valuation method

We are satisfied with the reasonableness of estimate of the net pension liability

Light Purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £21.8m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £21.8m, a net increase of £4.1m from 2020/21.</p>	<ul style="list-style-type: none"> MRP has been calculated in line with the statutory guidance and the Council's policy on MRP complies with statutory guidance. Annually the Council presents its MRP policy for approval from Full Council The basis of calculating MRP is reasonable, however our own benchmarking of MRP as a % of external borrowing (1.81%) and MRP as a % of the Capital Financing Requirement (1.91%) is less than we would normally expect in order for a prudent provision to be made (circa 2%). The principal reason for the lower than expected MRP level is due to the Council's policy currently allowing for a reduction in MRP due for overpayments calculated on supported borrowing from 2008-2014. The level of MRP to be charged to the General Fund will increase significantly when the reduction for the previous overpayment ends during 2031/32. Members should be aware that this will create an additional funding pressure for the Council. The additional cost is estimated to be £3.8m in 2031/32, £11.3m in 2032/33 and then increasing yearly up to 2056/57. 	Blue

Assessment

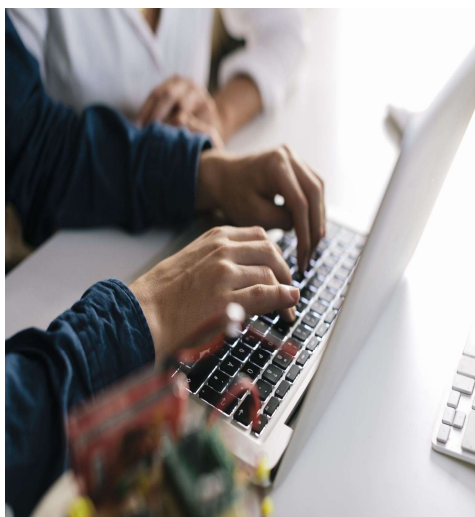
- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Risk & Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. We have noted that there were 10 members who did not return an annual declaration form. Management have sent reminders to try to obtain the missing declarations.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group. It will be included as a separate item in the Audit, Risk & Governance Committee papers at the January 2023 Meeting.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent. We are still awaiting responses for a small number of school bank accounts.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	<p>All information and explanations requested from management have provided by management to date with no issues. The financial statements were published on 8 June 2022, more than two months in advance of the statutory deadline. The financial statements were prepared to a good standard and working papers were detailed and clear to understand.</p> <p>The complexity, volume of data held and nature of the reporting available within the Council's financial system means that the audit takes longer to complete and adds to the resource inputs required as it is not possible to obtain a full General Ledger and transaction level detail. This means that we need to request numerous breakdowns of ledger codes in order to obtain data at a single transaction line level of data in order to then select a sample of transactions to substantively test.</p> <p>It is understood that the Council's new (Oracle Fusion) ledger, due to go live in November 2022, will be capable of providing reports at transaction level. However, since the new ledger is due to go live part way through the 2022-23 financial year, the above process will still be required for all 22/23 transactions posted to the current general ledger.</p>

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">• the nature of the Council and the environment in which it operates• the Council's financial reporting framework• the Council's system of internal control for identifying events or conditions relevant to going concern• management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified to date from our reviews of other information. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,• if we have applied any of our statutory powers or duties.• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work will commence on the completion of the financial statements audit.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of Lancashire County Council in the audit report, due to not having yet completed the work on assessing the council's arrangements for securing value for money or the WGA procedures. We also can not certify the closure of the audit until we have completed our consideration of matters brought to our attention by the Council in 2013. We are continuing to monitor developments with the ongoing Police investigation. Once the Police investigation is concluded, and we have had an opportunity to consider the outcome, we will assess the implications for our audit of the Council.</p>

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its 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 the three specified reporting criteria.



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



Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are 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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report in January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below. Our work on this risk remains ongoing, we have nothing further to report at this stage.

Risk of significant weakness

Work performed to date

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

Our work on this risk remains ongoing, we have nothing further to report at this stage. We expect to complete our work on assessing the Council's arrangements for securing value for money in the use of its resources during October – December 2022.

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.

4. Independence and ethics

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 and confirm that we, as a firm, and each covered person, 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.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	£7,500	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	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 £7,500 in comparison to the total fee for the audit of £145,994 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. To mitigate against the self review threat, the timing of certification work is done after the audit fieldwork has been completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
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 of £145,994 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.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit, Risk & Governance Committee. None of the services provided are subject to contingent fees.

4. Independence and ethics

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 with a 50% equity holding of the ordinary shares of the company. Details of the work performed and our assessment of our independence, are shown below. We are satisfied that this work has no impact on our independence for the audit of Lancashire County Council.

Service	Threats	Safeguards
Audit related		
Local Pensions Partnership Authorised Contractual Scheme and investment funds structures audit	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. All of the work performed by Grant Thornton is for audit related services. LPP is not consolidated into the Group Accounts on which we are issuing an opinion due to an assessment of the 50% share of the Assets, Liabilities, Income & Expenditure of the Company not being material to the Group.

Appendices

A. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2019/20 financial statements, which resulted in three recommendations being reported in our 2019/20 Audit Findings Report. These findings were also reported in our 2020/21 Audit Findings report as the items remains open.

We have followed up on the implementation of our recommendations and note that some items remain outstanding, however work is ongoing at the Council to address these matters.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Oracle security and access controls</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"> IT users self-assigning Oracle responsibilities without approval or subsequent timely removal. Limited evidence of appropriate restriction of Oracle database administration <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 2020-21 financial statements.</p>	<p>We have performed a similar review of the IT General Controls within the Council as part of our 2021-22 audit and the two items detailed in the prior year have now been remediated and are no longer considered significant deficiencies.</p>
X	<p>Payroll Leavers Controls</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 2021-22 audit have found similar issues still remain and that there can be a significant time lag in leavers being removed from the payroll system, with the time lag consistently appears to be around 3-6 months.</p> <p>Management Response</p> <p>Performance in this area continues to be monitored and reports provided to the Audit, Risk and Governance committee on progress.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

A. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Journal Authorisation</p> <ul style="list-style-type: none">Manual journals within the financial ledger are input by approved personnel, but they are not subject to authorisation controls at the time of inputThe risk is that the lack of authorisation controls at the time of input creates a higher level of risk of error or manipulation. <p>We recommended management review the authorisation procedures in place over journal input.</p>	<p>Management reviewed the processes in place in the prior year and commented that there are personnel controls in place whereby only finance staff can post journals, with little incentive for manipulation. Along with this being part of a centralised finance function having established financial monitoring processes that allows the review of all transactions means the risk for manipulation or uncorrected errors is considered very low. Whilst formal journal authorisation requirements are not built into the system, management consider that suitable alternative arrangements are in place.</p> <p>Audit Response</p> <p>As users with access to Oracle can post and approve their own journals, this is required to be recognised as a control deficiency. In response to this deficiency, we increased the overall risk rating for the Fund within our Journal risk assessment from low risk to medium. The impact of this is that it increased the minimum number of journals posted by management which we are required to test. The results of this testing are detailed on page 7.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Group Comprehensive Income and Expenditure Statement £'000	Group Statement of Financial Position £' 000	Group Impact on total net expenditure £'000
Group Accounts Tax Expense The taxation expense in the LCDL accounts for 2022 is £5.4m. The draft group financial statements did not account for this expense as the figure wasn't known when the Council published the draft accounts. The deferred taxation figure in the Group SoFP has also increased by this amount to £11.8m. There is no impact on the Council, single entity, accounts.	-£5.4m	-£5.4m	-£5.4m
Overall impact	-£5.4m	-£5.4m	-£5.4m

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Presentation & disclosure amendments As a result of our manager/EL/Review partner and technical team hot review of the accounts, a number of amendments have been made to improve the disclosures within the accounts. All of these amendments relate to minor improvements of the disclosure notes to improve the accuracy and readability of the accounts.	Management has amended the accounts for the issues we identified.	✓

B. Audit Adjustments

Impact of unadjusted misstatements

To date, there have been no adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements.

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>Land & Buildings Valuation Errors</p> <p>Our audit procedures identified two assets, both relating, to land where there had been a significant change in value (£3.8m increase). On further investigation this was due to human error when inputting the updated asset values into the asset register and as such the value of these two items was overstated by £3.8m. We requested management conduct further analysis to determine if there were any further assets impacted by this error.</p> <p>Management's analysis concluded that the error impacted upon 7 assets with two land assets being overstated by £3.8m and five buildings assets being understated by £4.4m. As a result the overall quantification actually reduced the total impact on the Statement of Financial Position due to the errors 'netting off' against each other to create a net error of £0.563m.</p> <p>Since the error is not material, and the net impact is in fact trivial, the accounts have not been updated to reflect these valuation errors.</p> <p>Management has stated that this error would usually have been identified through the "large valuation movement" exceptions review they perform on all assets with valuation movements in excess of £200k and/or 50%. However, the formula was overwritten for these items and they were not identified. Management has confirmed that this has been addressed for future periods with the formula column now being protected.</p>	£0	£0.563m	£0	Error is not material
Overall impact	£0	£0.563m	£0	

C. Fees

We confirm below our final fees charged for the audit and the provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£145,994	TBC
Total audit fees (excluding VAT)	£145,994	TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Teachers Pension Return	£7,500	TBC
CFO Insights Subscription	£10,000	£10,000
Total non-audit fees (excluding VAT)	£17,500	TBC

Audit Fee per Note 13 of the financial statements is £161k. The audit fee has been calculated based upon:

- £93k in respect of the PSAA scale fee for 2021-22
- £7k in respect of Teachers Pensions
- £10k in respect of CFO insights
- £68k in respect of prior year additional fees, which have now been approved by PSAA and paid.
- £17k reduction as result of an audit fee reimbursement from PSAA

The non-scale fee element of the 2021-22 proposed fee (£53k) which be included in the 2022-23 accounts once it has been approved by PSAA.

C. Fees

Detailed below is the reconciliation of the scale fee, set by PSAA in 2018, and the final audit fee to be charged for the financial year which reflects the increased scope and challenge required to be performed in our 2021/22 audit.

Scale fee published by PSAA (2020-21 scale fee used for consistency)	£87,006
<i>Increases to scale fee for additional work not considered when the scale fee was originally set by PSAA</i>	
Raising the bar – increased FRC Challenge	£6,250
Additional work in respect of the Group Audit	£3,000
Reduced Materiality	£3,125
Enhanced audit procedures for Property, Plant and Equipment	£5,438
Property Plant and Equipment – External Auditor Expert	£2,500
Enhanced audit procedures for Pensions	£4,375
Additional work on Value for Money (VfM) under new NAO Code	£19,000
Increased audit requirements of revised ISAs 540	£3,800
Additional work on journals/grants	£5,000
FRC Response – Additional review, EQCR Review, Hot review	£1,500
Additional work in respect of national issue on accounting for Infrastructure assets	£5,000
Proposed Audit Fee	£145,994

D. Audit opinion

Our work is still ongoing, there are two outstanding matters that need resolution before we are able to conclude whether our audit report is unmodified or not. The two matters are; valuation of land and buildings and the carrying amounts of infrastructure assets. For the valuation of land and buildings, we are currently in discussion with management and our audit technical team to determine the most appropriate way to address the difference identified. For infrastructure assets there is a sector wide solution being discussed which we will update you on as the matter progresses.

We intend to bring an updated Audit Findings report to the January Audit, Risk & Governance Committee, at which time we anticipate being able to provide further details on the proposed audit opinion.

E. Audit letter in respect of delayed VFM work

Cllr Alan Schofield
Chair of Audit, Risk & Governance Committee
Lancashire County Council
PO Box 78
County Hall
Fishergate
Preston
Lancashire
PR1 8XJ

30 September 2022

Dear Cllr Schofield

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest.

Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report in January 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Sarah Ironmonger
Partner



Audit, Risk and Governance Committee

Meeting to be held on 17 October 2022

Electoral Division affected:
(All Divisions);

**External Audit – Lancashire County Pension Fund Audit Findings Report
2021/22**

Contact for further information:

Sarah Ironmonger, Tel: 0161 953 6499, Partner, Grant Thornton UK LLP,
Sarah.L.Ironmonger@uk.gt.com

Executive Summary

The external auditor is required to report, to the Audit, Risk and Governance Committee, their audit findings prior to concluding their work. The report at Appendix A covers the overall findings of the external auditor in relation to the audit of the annual accounts of Lancashire County Pension Fund for the year ended 31 March 2022.

Recommendation

The Audit, Risk and Governance Committee is asked to note:

- i) The findings in the report, the minor disclosure updates made to the financial statements, and the other issues raised by the auditor which are set out in the report; and
- ii) That an updated report will be presented to the committee meeting on 30 January 2023.

Background and Advice

Attached at Appendix A is the external auditor's annual audit findings report for Lancashire County Pension Fund for the 2021/22 audit. The report has been produced in accordance with the National Audit Office Statutory Code of Audit Practice for Local Government bodies.

Sarah Ironmonger, Partner, and Stuart Basnett, Engagement Manager, will attend the meeting to present the report and answer any questions.

Consultations

The report has been agreed with the Pension Fund's management.



Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

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

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



The Audit Findings for Lancashire County Pension Fund

Year ended 31 March 2022

5 October 2022



Contents



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2. Financial statements
3. Independence and ethics

Appendices

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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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire County Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We have completed a substantial amount of our audit. However, at the time of writing this report, some audit tasks are still to be completed. Subject to the satisfactory completion of the outstanding items below, there are currently no matters of which we are aware that would require modification of our audit opinion [Appendix D] or material changes to the financial statements. However, this position is subject to the satisfactory completion of the following outstanding matters;

- Finalising our work on the review of the investment confirmations, audited accounts and service auditor reports received.
- Completion of the testing of a sample of direct property assets
- Completion of the testing of large/unusual journals posted by management
- Completion of the audit work/sample testing on several non-significant risk areas of the accounts
- Finalisation of responses to Manager/EL reviews of the accounts
- Final quality reviews of the audit work by the Manager and Engagement Leader
- Review of the Annual Report once received
- Receipt of signed management representation letter
- Review of the final set of financial statements

Subject to the satisfactory completion of the outstanding audit work, our anticipated audit report opinion will be unmodified. An updated audit findings report will be presented to the January 2023 meeting of the Audit, Risk & Governance Committee, which will confirm the audit opinion which we will be issuing.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, which was communicated to you at the Audit, Risk & Governance Committee meeting on 25 April 2022.

Conclusion

We are still in the process of completing our audit of your financial statements. Whilst no significant matters have been identified to date, subject to satisfactory completion of the outstanding queries being resolved, we anticipate issuing an unqualified audit, as detailed in Appendix D. These outstanding items are listed on page 3 of this report.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of 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.

Materiality levels remain the same as reported in our audit plan, which was presented to the Audit, Risk & Governance Committee on 25 April 2022.

We detail in the table below our determination of materiality for Lancashire County Pension Fund.

Pension Fund Amount (£) Qualitative factors considered

Materiality for the financial statements	105.317	We have determined materiality for the audit to be £105.317m (equivalent to 1% of net assets for the prior year). This is in line with the industry standard and reflects the risks associated with the Fund's financial performance.
Performance materiality	78.987	Performance materiality drives the extent of our testing and this was set at 75% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> • We are not aware of a history of deficiencies in the control environment • There has not historically been a large number or significant misstatements arising; and • Senior management and key reporting personnel has remained stable from the prior year audit
Trivial matters	5.265	This equates to 5% of materiality. This is our reporting threshold to the Audit, Risk & Governance Committee for any errors identified.



2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

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.

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.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our substantive testing of the journals posted by management, based upon a risk-scoring method remains on-going, our audit work completed to date has not identified any evidence of inappropriate management override of controls. As with previous years, the Fund does not have authorisation controls in place over journals – refer to page 17 for further details.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

ISA 240 Fraud in Revenue and Expenditure Recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

We have also rebutted the presumption of fraud in expenditure recognition.

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:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Lancashire County Council mean that all forms of fraud are seen as unacceptable

Therefore, we do not consider this to be a significant risk for Lancashire County Pension Fund.

Valuation of Level 3 Investments

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.

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.

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.

Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022.

We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes for valuing Level 3 investments
- reviewed the nature and basis of estimated values and considered 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
- independently requested year-end confirmations from investment managers
- for a sample of investments, tested 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. Reconciled those values to the values at 31 March 2022 with reference to known movements in the intervening period and
- in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records
- where available reviewed investment manager service auditor report on design effectiveness of internal controls.

Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2022 is £33.7m. This amount is below performance materiality. As this is a factual difference it has been included in Appendix B as an unadjusted misstatement.

We are still finalising our work on the review of the investment confirmations, audited accounts and service auditor reports received.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Level 3 Investments – £3,838m	<p>The Pension Fund has investments in unquoted equity and pooled investments that in total are valued on the Net Asset Statement as at 31 March 2022 at £3,838m.</p> <p>These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by the general partners to the private equity funds which the Fund invests in.</p> <p>The value of the investments has increased by £254m in 2021-22, largely due to significant positive changes in the market value of the investments, primarily as a result of the markets continuing to regain lost growth as a result of the Covid-19 Pandemic in prior years. However, the majority of this growth was attained in the first three quarters of the year with the impact of the Russian invasion of Ukraine impacting markets as at 31 March 2022 and reducing growth.</p>	<p>Management determine the values of level 3 investments through placing reliance on the expertise of investment managers.</p> <p>We have also tested a sample of level 3 investments to audited accounts to determine if the values estimated are reasonable and within our acceptable tolerances based on our expectation derived from the audited accounts.</p> <p>Management has disclosed, within Note 5 of the accounts, the uncertainty related to level 3 investments (absolute return funds and private equity) as well as providing a supporting sensitivity analysis within Note 17 to allow the reader to understand the potential impact on the accounts should the value of those estimates change.</p> <p>Per the Fund’s accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund’s accounts and that per the externally obtained investment confirmations as at 31 March 2022 is £33.7m. This amount is below performance materiality. As this is a factual difference it has been included in Appendix B as an unadjusted misstatement.</p> <p>We are still finalising our work on the review of the investment confirmations, audited accounts and service auditor reports received.</p>	Light Purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Light Purple] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments - £1,192m	<p>The Pension Fund have investments in corporate and overseas government bonds, directly-held investment property and pooled property investments that in total are valued on the Net Asset Statement as at 31 March 2022 at £1,192m.</p> <p>The investments can not be easily reconciled to valuations recorded on an open exchange / market as the valuation of the investments involves some subjectivity. In order to determine the value, management rely on the information which they are given from the various fund managers.</p> <p>The net value of the investments has increased by £118m in 2021-22, due to a net increase in market value.</p>	<p>Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers.</p> <p>As such we have sought confirmations of year end valuations from all main mandate managers and also tested a sample of unit values used to value level 2 investments to externally quoted information sources, or where not quoted, to unit values provided by the investment manager's own independent custodian.</p> <p>For directly-held investment properties, we have assessed the valuer used as management's expert, Avison Young, to be competent, capable and objective. We have confirmed the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate. For a sample of assets, we have evaluated the method, data and assumptions used by management's expert to derive the accounting estimate to be reasonable.</p> <p>We confirmed that the valuation method remains consistent with the prior year. We also confirmed the consistency of the estimate against the indices included within the Gerald Eve Market Report, and the reasonableness of the increase in the estimate. We also confirmed the adequacy of the disclosures relating to the estimate within the financial statements.</p> <p>At the time of writing we are still finalising our sample testing of directly held properties, however no issues have been identified to date.</p>	Light Purple

Assessment

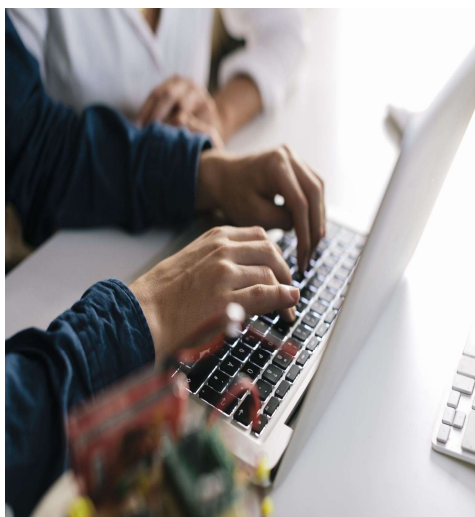
- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Risk & Governance Committee and Pension Fund Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund. It will be included as a separate item in the Audit, Risk & Governance Committee papers at the January 2023 Meeting. We have not requested any additional specific representations from management.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested direct confirmations from the Fund's bankers and custodian and plus a sample of managers of level 3 investments. We have received all confirmations requested.
Accounting practices	<p>We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.</p> <p>For key management personnel we have noted that the Fund has used contributions as an estimate for post-employment benefits. This area is subject to discussion within the sector but the CIPFA example accounts do note that assuming that most key personnel identified will belong to the LGPS or other defined benefit pension schemes, disclosure of employer contributions payable in the period will not generally represent an accurate basis for estimating post-employment benefits. We are satisfied that readers will not be misled by the current disclosures but have discussed with management and this is an area that will be kept under review.</p>
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management, to date, has been provided. We note that management provided us with a set of draft financial statements on 8 June 2022, which is over 6 weeks in advance of the national deadline for preparing accounts.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA [UK] 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">• the nature of the Pension Fund and the environment in which it operates• the Pension Fund’s financial reporting framework• the Pension Fund’s system of internal control for identifying events or conditions relevant to going concern• management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix D.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have not yet received the draft Annual Report from management to conduct this review – an update will be provided at the next committee meeting once we have obtained and reviewed the Annual Report.



3. Independence and ethics

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 and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS19 procedures for other bodies admitted to the pension fund	£23,000 (£5,000 base Fee plus £1,000 for each set of audit procedures - 18 Expected)	Self-Interest (because this is a recurring fee) Self-review Management	The fee for this work is recurring but not significant compared to the audit of the financial statements of £37,423 and in particular relative to Grant Thornton UK LLP's turnover overall. The fee is fixed based on the number of admitted bodies. Further, the work is on audit related services and integrated with the testing undertaken as part of the audit. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.
Non-audit Related			
None			

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit, Risk & Governance Committee. None of the services provided are subject to contingent fees.

Appendices

A. Follow up of prior year recommendations

We reported the following issues in the audit of the Pension Fund's 2020/21 financial statements, which resulted in one recommendation being reported in our 2020/21 Audit Findings report. The same issue was identified during our audit this year.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	<p>Issue and Risk</p> <p>Manual journals within the financial ledger system are input by approved personnel, but they are not subject to separate authorisation controls by a second staff member at the time of input.</p> <p>The risk is that the absence of authorisation controls at the time of input creates a higher risk of error or manipulation.</p> <p>Recommendation</p> <p>Review the authorisation procedures in place over journal input.</p>	<p>Management Response</p> <p>The same personnel-based controls remain in place at the Council, as does the lack of incentive for finance personnel to manipulate journals. Whilst we accept that there are no preventative controls in place, there are informal detective controls in place, such as monthly reconciliations to the custodian report and quarterly reviews, that would identify errors caused by journals. 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 the ability to post journals) is carried out at least annually.</p> <p>Audit Response</p> <p>As users with access to Oracle can post and approve their own journals, this is required to be recognised as a control deficiency and we have assessed the journals control environment as “medium” risk. Whilst the deficiency exists with the Fund’s system, the low number of manual journals posted as well as the limited number of journal posters and that the majority of journals relate to investment postings which can be traced to custodian/fund manager records, the impact of the deficiency in the context of the risk of management override of controls, is reduced.</p>

Assessment

- ✓ Action completed
- x Not yet addressed

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

No adjusted misstatements have been identified to date.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Fair Value Classification of Financial Assets Our testing of level 2 investment assets identified a small number of instances where the classification of the assets under the IFRS 13 hierarchy did not appear correct. - £75.6m of cash which has been loaned to other local authorities on a short term basis classified as level 2 but is more appropriate as level 1 classification as cash equivalents.	The final version of accounts to be amended for these matters.	✓
Presentation/Disclosure Changes A number of minor amendments have been suggested to management from our financial statements presentation and internal consistency review.	The final version of accounts to be amended for these matters.	✓

Impact of prior year unadjusted misstatements

There were no adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

B. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit, Risk & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash for inclusion in the draft financial statements. As part of our response to the valuation risk the valuation of the level 3 investments is assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the 31 March 2022, which we obtain via external confirmation from the external fund managers. We would typically expect to see a number of small variances as a result of this, usually netting out to a relatively small variance. In recent years as a result of Brexit and Covid, these movements have been more volatile. From the work which we have performed to date the difference between the valuation of investments per the Fund's accounts and that per the externally obtained investment confirmations as at 31 March 2022 is £33.7m. This amount is below performance materiality, however, we are still finalising our work on this area. We are still finalising our work on the review of the investment confirmations, audited accounts and service auditor reports received.	£33.7m	£33.7m	£33.7m	Below Performance Materiality
Overall impact	£33.7m	£33.7m	£33.7m	

C. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Pension Fund Audit	£37,423	TBC
Total audit fees (excluding VAT)	£37,423	TBC

Audit Fees per the draft financial statements is £39,300 for the audit of the accounts and £9,500 for IAS 19 assurance. The audit fee per the accounts was based on the actual fees charged for the 2020-21 Audit.

The difference between gross total audit fees for the year charged in the Pension Fund's Fund account (per the draft accounts) of £49k and the total fees to the left of £60k is £11k. This will be amended for in the final version of the Pension Fund's financial statements.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
IAS19 Assurance Letters (£5,000 base fee + £1,000 per letter - 18 expected)	£23,000	£23,000
Total non-audit fees (excluding VAT)	£23,000	£23,000

C. Fees

Detailed below is the reconciliation of the scale fee, set by PSAA in 2018, and the final audit fee to be charged for the financial year which reflects the increased scope and challenge required to be performed in our 2021/22 audit.

Scale fee published by PSAA	£26,310
<i>Increases to scale fee for additional work not considered when the scale fee was originally set by PSAA</i>	
Raising the bar - increased FRC Challenge	£1,875
Enhanced audit procedures for Directly held property	£2,188
Enhanced audit procedures for Investments	£1,750
Increased audit requirements of revised ISAs 540	£3,300
Additional work on journals posted by management	£2,000
Total audit fees (excluding VAT)	£37,423

D. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Pension Fund with an unmodified audit report.

Independent auditor's report to the members of Lancashire County Council on the pension fund financial statements of Lancashire County Pension Fund

Opinion

We have audited the financial statements of Lancashire County Pension Fund (the 'Pension Fund') administered by Lancashire County Council (the 'Authority') for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement, and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Executive & Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Executive & Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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In auditing the financial statements, we have concluded that the Chief Executive & Director of Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Chief Executive & Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Executive & Director of Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Executive & Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements, or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Chief Executive & Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Executive & Director of Resources. The Chief Executive & Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in

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D. Audit opinion

accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive & Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Executive & Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit, Risk & Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit, Risk & Governance Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit, Risk & Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation

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of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- Journals, in particular with regard to manual journals, those journals over 5x materiality, journals posted after the year end date which have an impact on the Fund's financial position, as well as any journals made by senior management personnel.
- The appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of level 2 and 3 investments.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Executive & Director of Resources has in place to prevent and detect fraud;
 - journal entry testing, with a focus on manual journals, those journals over 5x materiality, journals posted after the year end date which have an impact on the Fund's financial position, as well as any journals made by senior management personnel;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and 3 investments valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of level 2 and 3 investments
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of

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D. Audit opinion

Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Sarah Ironmonger, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

[Date]



Audit, Risk and Governance Committee
Meeting to be held on Monday, 17 October 2022

Electoral Division affected:
(All Divisions);

Internal Audit Progress Report
(Appendices 'A' – 'D')

Contact for further information:
Andrew Dalecki, Tel: 01772 533469, Head of Internal Audit Service,
andrew.dalecki@lancashire.gov.uk

Brief Summary

In the context of the committee's responsibility to consider updates on the Internal Audit Service's work including key findings, issues of concern and action being taken as a result of internal audit work, the committee is asked to consider the Internal Audit Progress Report and outcomes of the work for 2022/23, for the period to 26 September 2022.

Recommendation

The Audit, Risk and Governance Committee is asked to consider and note the report.

Detail

This report sets out for the committee the internal audit work performed under the audit plan for 2022/23, as approved in April 2022.

Appendix A highlights key issues that the committee should be aware of at this point in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.

Appendix B provides an executive summary of each individual internal audit assignment completed since the last report to the committee on 25 July 2022.

Appendix C provides an executive summary for each grant audit assignment completed since the last report to this committee on 25 July 2022.

Appendix D sets out the audit assurance levels and classification of residual risks used by the Internal Audit Service.

Consultations

The Chief Executive and Director of Resources, the Director of Finance, and each of the Directors and/or Heads of Service who have sponsored the audit work reported here has been consulted during the audit process.

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 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



Matters arising from internal audit work completed during the period to 26 September 2022

1 Introduction

1.1 This report highlights key issues that the Audit, Risk and Governance Committee should be aware of in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework. It highlights the issues arising from the work undertaken during the period to 26 September 2022 by the Internal Audit Service under the audit plan for 2022/23.

2 Progress against the internal audit plan

2.1 Only two audits from the 2021/22 audit plan have not been fully completed with the results reported to this committee. These are the Special Guardianship Orders, and Mobile Working & Device Reviews. Both are currently at the draft reporting stage and reported at section 2.3 below. The audits detailed in the table at section 3.1 have been completed since the last Audit Risk and Governance committee meeting in July 2022.

2.2 Since the last progress report was presented to the Audit Risk and Governance Committee, the service has received nine requests to complete additional audit work that were not part of the original audit plan. Work in these areas has either been completed or is ongoing. Only one audit has been removed from the plan. The details for the changes to the plan are set out below at section 6. The progress of audits from the 2022/23 audit plan including grant audits are reported below.

Stage of audit process	Number	Percentage
Complete and reported to committee	17	16%
Draft report stage	7	8%
Progressing	27	24%
Not yet started/ at the planning stage	56	52%
Total number of audits	107	100%

2.3 The eight audits detailed in the table below are at the draft reporting stage and are currently being discussed and agreed with managers.

Control area
Infection, Prevention and Control
Management of failing care homes
Safeguarding adult reviews
Special Guardianship Orders
SEND Partnership Improvement Plan
Pooled Resource Operation plan (PROp) traded service
Schools Financial Value Standard (SFVS)
CCTV surveillance conducted from the council's estate

Control area
Mobile Working & Device Review

- 2.4 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. Since the last progress report was presented to the Audit Risk and Governance Committee, the service has issued four final audit reports and three follow-up audit reports to these external clients. There are also three further audits at the draft reporting stage.

3 The assurance available from completed audit work

- 3.1 A brief summary of the assurance provided can be found in the table below. The matters arising from each of the completed audits are set out in the executive summaries provided at Appendix B

Control area	Assurance
Management of Capital Projects	● Substantial
Corporate Parenting Strategy	● Substantial
Payroll and Overpayments	● Substantial
Information governance and UK-GDPR	● Substantial
Better Care Fund	● Moderate
Transport Provision for Children	● Moderate

4 Grant certification

- 4.1 In addition to providing assurance to the council, some audit work is required by various central government departments, to provide them with assurance over the council's use of grant funding and attainment of funding conditions. The table below provides details of this completed work. An executive summary for each of the completed grant audits is provided at Appendix C

Control area
Covid Bus Services Support Grant (CBSSG)
Bus Recovery Funding (BRF)
Bus Service Operators Grant
Adult Weight Management Grant
Inpatient Detoxification Treatment
Universal Drug Grant
Contain Outbreak Management Fund
Social Care Digital Pathfinders Project

5 Follow-up of actions agreed arising from earlier audit work

- 5.1 The Internal Audit Service aims to follow up the action plans agreed by managers to address the risks identified through the audit process, to confirm that action has been taken. The plan for the year therefore includes an allocation of time for

this work and the actions agreed to be reviewed with the responsible officers. The table below details the status of the agreed management actions.

Action status	As at 26 September 2022					
	Total		Risk rating			
			Critical	High	Medium	Low
Complete/ Superseded	440	78%	0	30	239	171
Incomplete	13	2%	0	1	8	4
Follow up Scheduled 22/23	113	20%	0	9	59	45
Total	566	100%	0	40	306	220

6 Amendments to the audit plan for 2022/23

- 6.1 It is important that the audit plan is a flexible plan, as was noted when the audit plan was agreed. An audit of the Phase 3 Covid vaccine rollout was originally planned to review the adequacy and effectiveness of the Phase 3 Covid vaccine rollout. This would have focused on compliance with national standards. Following discussions with Public Health colleagues, it is now felt that the risk has reduced significantly as we are in the recovery stage of managing the pandemic. Therefore, the value that could be added by completing this audit has also reduced greatly.
- 6.2 Internal audit has been requested to complete audit assignments that were not originally included in the 2022/23 audit plan. Since we last reported to this committee in July 2022, we have been able to facilitate nine requests to complete additional audit work that were not part of the original audit plan. Work in these areas has either been completed or is ongoing. The service aims to remain flexible in order that it can support and add value to the council when unexpected and fast-paced changes in risks occur. The table below details the audit work commenced or completed that was not originally included in the audit plan.

Control area
Covid Bus Services Support Grant (CBSSG)
Bus Recovery Funding (BRF)
Adult Weight Management Grant
Inpatient Detoxification Treatment
Universal Drug Grant
Contain Outbreak Management Fund
Community Equipment Service
Transport Capital Block Funding Grant
Local Transport Capital Block Funding Grant

7 External quality assessment

- 7.1 The Public Sector Internal Audit Standards and the Internal Audit Service's own quality assurance and improvement programme require an external quality assessment to be conducted at least once every five years by a qualified,

independent assessor external to the organisation. The last such review was undertaken in 2017. This was completed by the Chartered Institute of Internal Auditors (CIIA).

- 7.2 It is proposed that the CIIA also complete the next assessment which is due this financial year. The CIIA are independent of the county council and its officers, and the assessor expected to undertake the review undertook the service's last review and has undertaken other work in the public sector.
- 7.3 The intention is that the CIIA would complete the review on the same basis as the 2017 review. The CIIA will validate the service's standards against the Public Sector Internal Audit Standards.
- 7.4 The Head of Internal Audit has held an initial scoping meeting with the CIIA. The CIIA have agreed to provide their formal engagement proposal, which will outline their approach, cost and timescales. Once this is received and deemed to be satisfactory the CIIA will be formally commissioned to complete the review. The results of the review will be reported to the Audit, Risk and Governance Committee.


Internal Audit

Committee Summaries



Appendix B

Management of Capital Projects

Management of Capital Projects				
Overall assurance rating	Audit findings requiring action			
 Substantial	Extreme	High	Medium	Low
	0	0	0	0
<i>See Appendix A for Rating Definitions</i>				
<p>The control framework in place within the Design and Construction team to manage capital projects is adequately designed and effectively operated. Capital projects are assigned a project manager to oversee the delivery of each project from initiation to completion. The Programme and Project Management System (PPMS) is used to record and monitor the progress of projects in terms of timescales, finance, resources, completion status, issues affecting delivery and information for reporting to senior management on a monthly basis. Documentation is retained on the council's network folder in support of the project, the stages of completion and any related decisions. For example, design plans, contracts, design team meeting and contractor meeting minutes, and related correspondence. Senior management receive a report each month sourced from PPMS data that details all ongoing projects including their completion and financial status, and the latest view from the project manager on project progress. Projects that are having delivery, cost or quality issues are identifiable to senior management for challenge or follow up via this information and the project's colour coded risk status.</p>				

Background

This audit has been undertaken in accordance with the 2022/23 Internal Audit Plan as approved by the Audit & Governance Committee. The audit has been conducted in conformance with the Public Sector Internal Audit Standards.

Context

Full council approve a three-year capital programme annually that details the delivery programme by service area block. The current programme for 2022/23 to 2024/25 was approved by members at the full council meeting on 17 February 2022. The council's design and construction team are responsible for overseeing the management of property and highways capital projects from design to delivery. For each, a project manager is allocated to undertake this role.

Since July 2016, the Programme and Project Management System (PPMS) has been used to record and monitor the progress of capital programme projects. PPMS is an online system designed to provide a 'single, unified and fit for purpose tool' to standardise how council projects are managed to improve project control and reporting.

Financial information

Management of Capital Projects


As at 31 May 2022, there were 532 highways and property projects ongoing that were being reported to the Head of Design and Construction. The total budget for these projects was £156m. This audit has focused on projects that are in the final stages. Of the 532, there were 118 such projects with a total budget over £62m.

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
Responsibility for managing the project	<p>All 532 projects recorded on a 31 May 2022 management report as an ongoing project had been allocated a project manager.</p> <p>In line with guidance available on the Intranet and information held on PPMS, the project manager reported to a capital programme manager and a head of service and was responsible for supervising the delivery of each capital project. Specifically, its development, design and construction to ensure it is delivered on time and within budget. This included dealing with contractors, updating PPMS and maintaining the required documentation in support of the project. Our analysis of information in PPMS for the two projects reviewed confirmed the above in practice.</p> <p>Also that the project manager was supported by other officers within Design and Construction in undertaking the role. In particular, around stage changes, budget allocation requests to finance and report revisions.</p>	●
Project delivery	<p>Each capital project was managed from initiation to completion by a project manager to achieve delivery. Guidance was available on the Intranet detailing the process to follow, the role of PPMS, the data to be entered and information and documentation to be retained. For each of the projects reviewed, the following was evident:</p> <ul style="list-style-type: none"> • A process document was used to record the design and construction phases to be completed during the project. For the projects reviewed this was a 'design and construction process document ' detailing the steps to be followed. For demolition projects a 'Project Quality Plan' had been completed; • Specific dedicated network folders had been set up for each project to retain key documentation and information that includes but is not limited to, design drawings, contract documents, design team and contractor meeting minutes, health and safety information, and other key project information. • A budget approved by the Commissioning Team and programme manager had been allocated to the project within PPMS by a member of the Capital Grants Team in Finance. As the projects progressed, amendments to the original budget had been proposed by the programme or project manager and approved in PPMS by the Capital Grants Team; • Data required in PPMS for the Work Breakdown Structures (WBS) and Gantt chart planning functions was entered and periodically updated for each of the project stages started and completed. • Actual labour hours had been entered in to PPMS on a regular basis to ensure the budget remaining figure and the project fee billing process accurately took into account spend to date; • Project manager comments had been updated in the system on a regular basis; • PPMS automatically generated a percentage completed figure based on the data input to the system by the project manager, programme manager and support team. 	●

Management of Capital Projects



Reporting to senior management	<p>The Head of Design and Construction and his senior managers received a monthly progress report on all capital projects managed by their service. The data within the report extracted from PPMS included:</p> <ul style="list-style-type: none">• The assigned project manager;• The project type (highways or property);• Start and end dates; • Percentage complete;• The stage the project was at and RAG (red, amber, green) risk status;• Comment from the project manager on the latest position; and• Budget approved, forecasted and actual spend to date. <p>Project managers were reminded each month to ensure the data in PPMS was up to date and to provide a comment for the report to be run for the senior managers.</p>	
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Corporate Parenting Strategy

Corporate Parenting Strategy												
<p>Overall assurance rating</p>  <p>Substantial</p> <p><i>See Appendix A for Rating Definitions</i></p>	<p>Audit findings requiring action</p> <table border="1"> <thead> <tr> <th style="background-color: black; color: white;">Extreme</th> <th style="background-color: red; color: white;">High</th> <th style="background-color: yellow; color: black;">Medium</th> <th style="background-color: green; color: white;">Low</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> </tr> </tbody> </table>				Extreme	High	Medium	Low	0	0	2	2
Extreme	High	Medium	Low									
0	0	2	2									
<p>The Corporate Parenting Strategy 2022-2026 (the Strategy) provides a set of priorities and objectives based on the corporate parenting principles laid out in legislation. It is approved by the Corporate Parenting Board (board) which, together with the Executive Committee for Children and Young People's Permanence (Executive Committee), provide scrutiny and oversight over Strategy delivery. The strategy is supported by a corporate parenting promise which commits services and partners to deliver against the corporate parenting duty. The board and Executive Committee meetings are formally documented with an agenda and minutes. We noted however, that partner attendance at board meetings has been inconsistent whilst meetings of the Executive Committee have not been held with sufficient frequency. Prior to this audit these issues were identified by management and action had commenced to address these matters.</p> <p>Corporate parenting information including details of membership of the board and agendas and minutes is easily accessible on the council website. A workshop in March 2022 and subsequent presentations and briefings with the Chair and Deputy Chair were used to raise board members' awareness. A formal induction training programme proposed by management would however provide structured training for board members and support improvements in attendance and engagement. Four subgroups with appointed lead members and lead officers have been established to focus on delivering against each corporate parenting priority. Work carried out by the subgroups is properly documented and there is a standard item on the Executive Committee agenda to discuss progress although there has been no update since December 2021. A progress report highlighting the work of the subgroups was presented to the board in January, March and May 2022.</p> <p>Performance information is reported to the board by an appointed Business Intelligence officer, however, due to other priorities and review of the Strategy and governance arrangements in 2021-22, performance information has not been reported to the board since March 2021. Performance data produced by Business Intelligence includes contextual and specific indicators supporting the delivery of permanence and stability for children and young people. These are now linked to the Strategy and would benefit from further development to ensure there is sufficient coverage and detail to support the delivery of priorities. The workstream priority groups will be developing key performance indicators to support each Strategy priority which will enable a focused approach to reporting or sharing performance in the future.</p>												

Agreed actions from the audit	Priority
An annual schedule of Executive Committee meetings will be agreed and its terms of reference will be updated to reflect the change in the frequency of meetings.	
Regular monitoring of attendance at board meetings will continue to be performed and the importance of attendance will be highlighted at these meetings and in writing to relevant partner organisations as soon as possible.	

Corporate Parenting Strategy

Agreed actions from the audit	Priority
A formal induction training programme and process for delivering the training to new board members is to be put in place.	
Key performance indicators will be developed for each workstream to support the achievement of strategic priorities and objectives. Performance will be reported to the Committee to support their oversight of strategic delivery and to allow them to identify and address delays.	

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 July 2021 to May 2022 and has been conducted in conformance with the Public Sector Internal Audit Standards

Context

The Children and Social Work Act 2017 (the Act) defined the responsibility of corporate parents to ensure, as far as possible, secure, nurturing and positive experiences for looked-after children and young people, and care leavers. The Corporate Parenting Strategy 2022-26 (the Strategy) is the council's response to this duty. The Strategy was recently revised following consultation with stakeholders and approved by the board in March 2022. Overall responsibility for delivering against the Strategy sits with the board, which established an Executive Board to oversee the work of subgroups set up to deliver the four strategic priorities.


In Lancashire the number of children looked after has fallen from 2,131 in September 2020 to 1941 in March 2022, this reduction is attributed to Children's Social Care reorganisation and the introduction of the Family Safeguarding Model.

Previous audit





An internal audit of the Corporate Parenting Strategy was last carried out in April 2020. 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
Strategy	The Strategy defines the council's four key priorities supported by eight objectives, and addresses the corporate parenting principles set out in the Act. The revised 2022-26 strategy was approved by the board, and formally adopted in March 2022. It is supported by a Corporate Parenting Promise which is built on the Corporate Parenting Principles and an agreement with services and partners to effectively deliver against the corporate parenting duty. Board members undertook a workshop to establish their Corporate Parenting Promise to young people, with participation from stakeholders and partners identified in the Act.	

Corporate Parenting Strategy

Governance	The board comprises of councillors and co-opted representatives from services and partners, to oversee strategy delivery. An Executive Committee (the Committee) oversees partnership arrangements for achieving permanence and the four workstream subgroups. The committee's broad membership supports strategic priorities and objectives. Board and committee meetings have a formal agenda and are minuted, and the board receive and review progress updates. committee meetings had not been held in accordance with the terms of reference and as a consequence meeting frequency was subsequently amended to quarterly. Some partners do not attend board meetings consistently and management will challenge partners where attendance is inadequate.	
Awareness and consultation	The council's website has a Corporate Parenting page in the Supporting Children Looked After section which includes membership details, agendas and minutes and the board's terms of reference. This and the Local Offer are also accessible through the website's Youth Zone and Permanence Service's pages. A workshop was held in March 2022 to increase the board's understanding of the corporate parenting principles and characteristics. Awareness is also supported by briefings with Children's Social Care heads of service and service presentations on their corporate parenting duty activities and roles. To support this activity, management plan to introduce a formal induction pack for board members which provides a more formal approach to raising awareness and understanding.	
Operational effectiveness	The delivery of the corporate parenting priorities is managed through four subgroups of the Children and Young People's Permanence Partnership. Each has an appointed Lead Member and Lead Officers. Terms of reference, which include aims and objectives have been agreed by the committee, which also monitors and oversees subgroup action. Permanence Service officers are represented on the subgroups, providing consistency and avoiding duplication of reporting. Progress was reported to the board in January, March and May 2022 including the subgroup aims and objectives, discussions with senior officers and members and proposed actions.	
Performance monitoring and support	A Business Intelligence Officer supports the board by producing and reporting performance data, last presented to the March 2021 meeting. This is also discussed at agenda setting meetings. This gap in performance reporting was primarily due to other board priorities and the review of the strategy and governance arrangements during 2021-22. Performance reports include contextual and specific indicators supporting the delivery of permanence and stability for children and young people and other specific health, education and employment and training related indicators. Although these do not specifically support delivery of priorities. The previous strategy did not have key performance indicators to support effective performance reporting. Therefore, there are plans in place to produce these for the current strategy. The subgroups have used detailed performance data, for example numbers of young people expected to go to college or work and sustained education or employment, for analysis and will use these to develop performance indicators for each area.	

Better Care Fund				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	1	1	0
<i>See Appendix A for Rating Definitions</i>				
<p>Overall, we are satisfied that the funds which have been pooled by the council and Clinical Commissioning Groups (CCGs) into the Better Care Fund (BCF) and schemes are being delivered to achieve the objectives of integrated working. The BCF Plan for 2021/22 was only produced at the end of the financial year and at the time of the audit a section 75 agreement had not yet been produced and signed by all parties. However, we have confirmed that the amount of money pooled by CCGs and the council into the BCF, and the money paid to CCGs and the council for the schemes they are responsible for administering was largely in line with the amounts agreed in the Plan.</p> <p>The proportion of funding provided by CCGs to the BCF in Lancashire in 2020/21 was 57%. We compared this to 180 other BCFs in the country and found that this is lower than 124 (69%) of other councils.</p> <p>BCF governance arrangements did continue during the pandemic, albeit in a reduced capacity, although we found that data on the effectiveness of current schemes in achieving BCF metrics was not being produced and analysed, and alternative ways of working had not been explored. Additionally, no overall budget monitoring of the BCF fund was being undertaken.</p>				

Agreed actions from the audit	Priority
Governance arrangements for the BCF will be reviewed, agreed by the Health and Wellbeing Board (HWB) and documented. This is to facilitate more effective development of integrated working. In particular, it will include roles and responsibilities for budget monitoring and identifying scheme areas where funding could be reallocated to improve BCF metrics. Additionally, the framework will include the requirement to review the effectiveness of individual schemes and activities funded by the BCF. This would facilitate more efficient and effective achievement of BCF metrics.	
The level of funding from CCGs will be discussed with them with a view to increasing their contributions. This would provide more funding to deliver schemes in order to achieve BCF metrics.	

Better Care 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 covers activity undertaken in the period January 2020 to February 2022 and has been conducted in conformance with the Public Sector Internal Audit Standards.

Context

In order to improve integrated working between councils and CCGs, BCFs were established in 2015. This involved CCGs and councils pooling funds, establishing governance arrangements, and producing a plan detailing the schemes to be delivered. The total value of the BCF for Lancashire in 2021/22 is £166 million. £96 million of this is provided by CCGs. The council provides the remaining £70 million which comprises the IBCF and the Disabled Facilities Grant that is received from the government. Approximately £60 million is returned back to CCGs for schemes that they are responsible for delivering.

Previous audit



An internal audit of the Better Care Fund was last carried out in 2016/17. This resulted in the equivalent of 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
BCF Plan and funding arrangements	A BCF Plan has been produced for 2021/22 and conforms with the requirement of the BCF Policy Framework. The Plan was produced late towards the end of the year, and this is partly due to guidance being issued late by the government. A S75 agreement was not drafted and signed as at the date of our audit. This was in the process of being undertaken but it has been protracted due to the number of organisations involved. Despite this, funding has however been pooled and schemes have been delivered during the course of the year.	●
Governance	Previous governance arrangements included a Health and Wellbeing Board (HWB) overseeing the whole BCF operation and an Advancing Integration Board operating beneath the HWB. An Advancing Integration Programme Group brought together commissioning officers from CCGs and the council to implement the BCF Plan and procure services. These arrangements were suspended due to the demands of responding to the pandemic. Consequently, the HWB did not meet between April 2021 and January 2022. The Advancing Integration Board was also stood down in March 2020. The Programme Group continued to meet and has been maintaining an oversight of the BCF during the pandemic. This group however, does not have any decision-making authority and therefore has limited authority to progress the BCF objectives.	●

Better Care Fund

Scheme selection and metrics	The current governance arrangements do not involve reviewing the effectiveness of the current schemes. Additionally, financial monitoring of the overall BCF is also not being undertaken to evaluate whether funds could be reallocated to more effectively achieve the metrics of the BCF. External consultants were commissioned to review Intermediate Care in 2020, although the report they produced has not since been used to review the activities funded by the BCF in order to decide on the most effective schemes to deliver. Similarly, whilst a Hospital Discharge Home Recovery Scheme has been piloted by the council with the NHS which has proved to reduce the time patients have to spend in hospital, this scheme, which has received national recognition was not initiated or monitored through the BCF.	
Invoicing	The S75 agreement was not signed at the time of the audit. However, we confirmed that the general funds both received from partners in the BCF or paid out to partners to run the schemes as per the BCF Plan have been paid and received as expected with only small differences.	

Transport Provision for Children

Transport Provision for Children				
Overall assurance rating	Audit findings requiring action			
 Moderate	Extreme	High	Medium	Low
	0	0	3	3
<i>See Appendix A for Rating Definitions</i>				
<p>The Special Educational Needs and Disability Home to School Transport Policy (the Policy) provides an effective framework and guidance to support the council's statutory duty under the Children's Act for both staff and service users and is easily accessible on the council's website. The Integrated Transport Service Team (ITS) commission transport provision and manage contract delivery appropriately, based on children's assessed requirements, transport suitability and availability. ITS promptly process passenger transport referrals from Children's Services, obtaining required transport provision from an approved provider framework although not all area offices administer referrals in the same way, such as maintaining processing records on IT systems. Providers are regulated through service level agreements (SLA) and the council's disciplinary policy, and action is taken to manage compliance. Low level concerns are resolved by area offices but are not reported through established monitoring and reporting arrangements and could give early notice of developing issues. Regular compliance checks at schools are to be restarted now Covid-19 restrictions are lifted, however no formal timeframe for resumption has been established.</p> <p>Local policies and procedures provide guidance on accompanied travel, passenger needs, vehicle suitability and safeguarding and welfare checks. The service operates a framework of ongoing and mandatory training for drivers and passenger assistants, DBS safeguarding clearance and driving licence checks using the DVLA website, to ensure staff are eligible and able to perform their roles and responsibilities. All staff have DBS clearance, but not all staff have completed or retaken mandatory training within agreed time intervals or have had driving licence checks.</p> <p>ITS does not complete formal KPI's and performance information, and managers' report and escalate matters of concern to senior management by exception. Risks associated with the transportation of vulnerable children are managed through the corporate and directorate risk registers, and passenger risk assessments address complex requirements.</p>				

Agreed actions from the audit	Priority
A training schedule will be developed to ensure staff complete all outstanding mandatory training within an agreed timescale. Consideration will also be given to whether the courses included on the mandatory training matrix are still relevant or whether the matrix requires updating.	
Managers and staff with driving responsibilities will be reminded of the need to carry out driving licence checks using the DVLA website and retain supporting evidence of checks carried out. A decision on the use of an external driving licence checking agency will be prioritised.	

Transport Provision for Children

Agreed actions from the audit	Priority
Consideration will be given to adopting service-wide standard procedures across area offices, including use of IT systems to administer referrals in line with corporate policy on reducing printing and paper use, to ensure consistency and efficiency of operation.	●
The service will record in summary all low-level safeguarding, non-compliance and complaints issues currently addressed by area managers and report themes and common issues or concerns to senior managers.	●
Priority will be given to the early resumption of visits to schools to conduct periodic vehicle and driver safeguarding and compliance checks.	●
Senior service managers will review the need to receive additional information to inform awareness of emerging issues and concerns, and decision making. Data could include journey numbers, passengers transported, and safeguarding and non-compliance incidents.	●

Background

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

Context

The council has a statutory duty under the Children's Act 1996 to provide free home to school transport for qualifying children and young people, ensuring they are safe and able to achieve their full potential in education, learning and future employment. The ITS Team are responsible for commissioning home to school transport which meets the needs of vulnerable children and young people with special educational needs and disabilities. Five area office teams across Lancashire manage and commission council Travelcare, the council's specialised transport service, and taxis from external providers.

Financial information

The current Integrated Transport Service annual budget for 2022/23 is £29.9m, transporting 4,153 children by taxi's and Travelcare buses. The annual budget for 2021/22 was £29.1m, transporting 3,899 children. These figures exclude the mainstream school transport service.




Previous audit

An internal audit of transport provision for children has not previously been carried out.


Scope of Audit

We audited the adequacy and effectiveness of controls and processes to mitigate the key risks relating to the following areas detailed in the table below. The mainstream school transport service does not form part of the scope of this audit.


Transport Provision for Children


Area of Coverage	Commentary	Assessment
Policy and Procedure	The Policy defines the council's approach to meeting its statutory duty under the Children's Act and Department for Education guidance. It mirrors government guidance in scope and content, confirming the key council duties to promote sustainable transport to educational and training establishments, and to promote and ensure equal opportunity for SEN and children with disabilities. Local guidance addresses accompanied travel, passenger needs, vehicle suitability, safeguarding and welfare checks, and is available on the council's internet for service users. The council's Covid-19 rules for travelling are consistent with government information and provide appropriate advice on key areas such as regular risk assessments, wearing of masks and PPE, ventilation and cleaning of vehicles.	
Training and Safety	ITS staff are supported by local policies, procedures and guidance on the ITS Information Management System (IMS) intranet site and shared folders, and all new staff complete an induction course. A mandatory training matrix provides details of compulsory staff training courses and course retake time intervals for drivers and passenger assistants enabling staff to update their skills, knowledge and competencies. However, not all mandatory training courses have been completed or retaken within the refresh time periods due largely to pandemic restrictions. Task and passenger specific risk assessments are carried out to alert staff of risks and how to manage them.	
Commissioning Transport Provision	Area contract managers promptly process transport referral forms and assess options, completing a passenger risk assessment for complex referrals. When mainstream travel is unavailable, managers commission specialised internal and external provision. External transport providers are assessed and approved before inclusion on the Oracle procurement system. Providers sign SLAs agreeing to the council's safeguarding and contractual terms and conditions and access the Oracle Hub portal to bid for council contracts. Managers liaise with Children's Services staff and providers to approve transport decisions, and journey schedules are retained in the CART system. The service aims to commission transport for standard referrals within five days and complex cases within 10 days. This is not a mandatory or formal target as it is based on the services perception of good practice. As such compliance is not formally monitored as systems cannot provide relevant data.	
Safeguarding	DBS safeguarding clearance and annual licence eligibility compliance checks are conducted at the start of staff employment. Managers check that driving licences are valid and cover vehicles being driven, and that driving endorsements are not excessive, however these checks were not always carried out or evidence retained where they were. For external drivers, the service relies on assurances from compliance checks conducted by district council taxi licencing and the council's Public and Integrated Transport, Schools Transport Team that external drivers have DBS clearance and hold valid driving licences. The service operates a two-tier complaints system to monitor and resolve provider issues, contractual non-compliance and safeguarding incidents. Area office managers respond to local low-level issues raised by parents, schools and the public, which are not recorded or reported but which could provide useful information on upcoming issues and trends. More complex complaints and concerns are escalated to the ITS Compliance Manager and recorded in a complaints log, and issues were resolved on average within three days. For more serious issues with external providers warning letters are initially issued, and providers were barred from applying for further work where concerns were not addressed. Prior to the pandemic Fleet Service's on behalf of the wider Public and Integrated Transport Service performed compliance checks at schools providing valuable assurance over external provider conformance with contract terms and conditions. The service plans to restart these visits although no timetable for resumption has been agreed.	

Transport Provision for Children

Performance and Risk Management	<p>The Transport Administration Manager completes and distributes to the ITS Manager and area offices a monthly Excel report comparing previous information such as productive time, income generation, staff costs, and vehicle repair and expenditure. The Children's Services (Management Accountant) completes monthly financial monitoring reports and a dashboard report providing adult and children taxi occupancy and cost data. The ITS Manager receives copies of both reports. Service risk is managed through the corporate and directorate risk register. ITS does not complete corporate KPIs or performance information to manage service delivery and outputs, which inform strategic decisions, and financial and complaints information are escalated to the Head of Service informally and by exception.</p>	
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Payroll and Overpayments

Payroll and Overpayments				
Overall assurance rating	Audit findings requiring action			
 Substantial	Extreme	High	Medium	Low
	0	0	0	1
<i>See Appendix A for Rating Definitions</i>				
<p>Payroll procedures and processes operate effectively to ensure that monthly pay runs are paid correctly and in a timely manner. Payroll closure timetables are published in advance of the year on the council's intranet and school's portal, with monthly bulletin reminders for deadline submissions. The monthly payroll is processed accurately and on time, with changes to pay grades and rates actioned in a timely manner. Starters and leavers are processed promptly following notification from individual services, however delays in information being submitted to the Service continue to happen on a regular basis.</p> <p>Amendments to staff pay for maternity, sickness, honorariums and voluntary deductions are processed correctly and in line with agreed dates. Overpayments are monitored on a monthly basis and followed up by the service in a consistent manner. Reports are sent to service leads with the highest volume of Overpayments on a quarterly basis for their information and action. For Quarter 4 of 2021/22, the Service reported a figure over £53k in overpayments, from 60 individual cases, across the council services excluding schools. One management action was agreed to be implemented in our previous Payroll Processing audit (Ref: 2019-68), we can confirm this has now been fully implemented. The current overpayment figures represent a reduction in total overpayments of 61.7% compared to Quarter 4 of 2019/20, although analysis from the service identified three service areas which continue to appear in the top five for the number of overpayments made.</p>				

Agreed actions from the audit	Priority
The Payroll service will review its document retention procedures to ensure that supporting information for payroll amendments are retained securely. Cases identified by this audit will be investigated to confirm that inputted data is correct and reconciles with source information.	

Background

This annual audit of the controls operating over council's payroll processes and overpayment recovery procedures for council and school employees was carried out in line with the 2021/22 internal audit plan. Audit testing was conducted between February 2022 and July 2022 and covered the period between January 2021 and May 2022.

Payroll and Overpayments

Context

Following the return of the payroll function to the council from BTLS, the Payroll Service is responsible for ensuring that all employees of the council, including schools are paid accurately and on time. Oracle, the financial system used to administer payroll, is due to be replaced by Oracle Fusion in November 2022.

Financial information

For the month of July 2022 the Council spent over £58m on its gross BACS payments to all staff, including schools.

Previous audit

Our last audit report was issued in October 2020 as part of a joint audit reviewing Payroll Services and Overpayments. Following this gave substantial assurance over payroll processing and moderate assurance regarding the council's overpayments procedures, with one improvement action agreed relating to improving services with consistently high levels of overpayments which we consider is partially implemented (See Table A below).

Scope of Audit



We audited the adequacy and effectiveness of controls and processes to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
Policy and guidance;	<p>The council's Payroll Service holds a 'recovery of overpayments' policy which is accessible to all staff via the intranet page. The policy is maintained by the council's HR service and no amendments have been required since 2015.</p> <p>The service also holds 220 procedural guides for staff to support end to end processes for processing data through the system, including but not limited to starters and leavers information, redundancy payments, union contributions, pension payments, and sickness. These documents will be reviewed and updated as part of the council's implementation of Oracle Fusion.</p>	●
Payroll processing;	<p>Payroll closure timetables are published in advance of the financial year on the council's intranet. Monthly payroll HR and bulletins are published on Staff News, including information on issues such as P60 availability, allowance rates, payroll deadlines and contact details.</p> <p>We confirmed that council and school staff salaries were correctly calculated and paid in a timely manner in line with submission deadlines. Starters and leavers were processed promptly by the service once they received supporting information to enter and amend details, however council services did not always provide the required supporting information through the payroll system in a timely manner.</p> <p>Honorariums were processed promptly and reconciled to the source information, which was approved by the employee's manager, however in two cases the Service could not locate supporting information for the honorarium. Sickness and maternity payments were calculated correctly and paid in a timely manner in line with payroll closure dates. Maternity dates were submitted to Payroll through Oracle and statutory and optional maternity payments were made in line with these dates.</p>	●

Payroll and Overpayments

	<p>Payments over £3,500 were reviewed monthly prior to payment and verified to ensure that large payments were appropriate. Potential duplicate payments were identified on a monthly basis, and any highlighted payments were notified to Heads of Service for their review and action.</p>	
Payroll amendments	<p>Permissions to create amendments to the payroll master file were limited to specific roles and regularly reviewed, with staff leaving the service having their access removed in a timely manner. Changes to pay were applied consistently following the changes to the pay spine in March 2022.</p> <p>Voluntary deductions were made in line with agreed amounts, and amendments to deductions were carried out in a timely manner.</p>	●
Overpayments	<p>Quarterly reports were produced which identified overpayments made to current and former staff and were reviewed for action. Staff were contacted with proposed repayment options, with current members of staff permitted to repay through salary, and former staff invoiced for their debt. Payments were being recovered, but in one case correspondence to the staff member could not be retrieved.</p> <p>Quarterly statistics of the value of overpayments were produced, categorised by service. Heads of Service for the five services with the highest value of overpayments were contacted by email to inform them of the overpayments made. For Quarter 4 2021/22 overpayments for council staff totalled £53,206 and £108,673 for school staff.</p>	●

General Data Protection Regulations

General Data Protection Regulations									
Overall assurance rating	Audit findings requiring action								
 Substantial <i>See Appendix A for Rating Definitions</i>	<table border="1"> <thead> <tr> <th>Extreme</th> <th>High</th> <th>Medium</th> <th>Low</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>	Extreme	High	Medium	Low	0	0	1	0
Extreme	High	Medium	Low						
0	0	1	0						
<p>The council has appropriate policies and procedures in place to ensure compliance with UK General Data Protection Regulations (UK GDPR) and these are easily accessible to staff. The Information Governance Framework allocates data protection roles and responsibilities, lists policies and records improvement actions Oversight of key issues is maintained by the Corporate Information Governance Group (CIGG). Guidance and other information are regularly posted on the Intranet's Staff Notices and all staff are required to complete e-learning annually. The most recent assessment established that 85% of staff had completed the training, although system records need to be cleaned and reconciled to Oracle to ensure completeness and accuracy. Records of Processing Activities (ROPA) are performed annually to assess the implications of GDPR on services, including the lawful basis for processing data and confirmation that consent for collecting and processing personal data details is obtained and recorded.</p> <p>The Information Governance (IG) Team support service managers in assessing personal data, sharing plans and completing privacy notices. The council's general privacy notice covering the purpose of processing data, consent, information sharing and retention, users' rights, and access to the data is available on the council website, with service-specific privacy notices. Processes are in place to identify new initiatives and projects, and the IG Team provide support for managers in completing DPIAs. However, four projects did not have a completed DPIA which were flagged and subsequently followed up by the IG Team.</p> <p>The number of security incidents have been consistently around 400 per year, a third of which do not result in any loss or disclosure outside the organisation. In 2021 there were 372 reported incidents of which seven were classified as data breaches and reported to the Information Commissioner's Office (ICO), with any required changes to procedures reported back to the relevant service. Corporate and service wide initiatives, including additional awareness training directed towards minimising data breaches, are run by the Learning and Development Team with support from the IG Team in reviewing course material. Subject Access Requests are handled by qualified Information Access Officers and a new software package, iCasework, was implemented this year to process requests. This system provides daily monitoring reports and performance statistics to the IG Team.</p>									
Agreed actions from the audit		Priority							
<p>The IG Manager should request that relevant officers in the IG Team are added to the distribution list for new contracts agreed, to support an initial assessment of the data protection implications and any follow up action necessary.</p>									

General Data Protection Regulations

This audit has been undertaken in accordance with the 2022/23 Internal Audit Plan as approved by the Audit, Risk & Governance Committee.

Context

The EU General Data Protection Regulation (EU GDPR) and the Data Protection Act 2018 came into force on 25 May 2018. UK-General Data Protection Regulation (UK GDPR) which reflects the requirements of EU GDPR became part of UK domestic law on 1 January 2021 on the UK leaving the European Union. This establishes the legal framework for processing personal information and information rights of individuals, and sets out seven data protection principles including fair and lawful processing and accountability.

Previous audit




An internal audit of GDPR implementation was carried out in September 2018, where we gave substantial assurance with no improvement actions identified.

Scope of Audit

We audited the adequacy and effectiveness of controls and processes to mitigate the key risks relating to the following areas detailed in the table below.

Area of Coverage	Commentary	Assessment
Governance and Accountability	<p>The Information Governance Framework (the Framework) was updated for 2022 and was available on the council's Intranet. It set out the council's programme of work for the forthcoming year and details key controls used to protect the information flows. Key roles and responsibilities are also defined and documented along with the terms of reference for the for the Corporate Information Governance Group (CIGG).</p> <p>The (CIGG) receive quarterly update on information governance related issues and policies and were discussed with input from service managers. The CIGG raised issues and made recommendations and monitored progress with implementation.</p> <p>There was evidence to show consideration of data protection related risks both at directorate management team meetings and the CIGG, for inclusion in directorate risk registers and escalation where necessary to the Corporate Risk Register.</p>	●
Reporting and Subject Access Requests	<p>The Access to Information Policy set out the council's policy towards sharing information the council holds on individuals. Subject Access Requests are received by the council on a dedicated email address and are administered by the IG Team. Requests were initially logged and allocated to a qualified Information Access Officers to collated the information.</p> <p>A new system to process requests, iCasework, has been introduced this year. This system supports the production of daily monitoring reports and performance statistics which are reviewed by the IG Team. Information security incidents are submitted quarterly to Business Intelligence for inclusion in dashboard reports to CMT and Cabinet.</p> <p>Officers responsible for incidents are required to refresh their training and attend the Information Security Awareness Course to complement the IG MeLearning course and wider information and advice provided through staff notices, the Intranet and service specific presentations.</p>	●

General Data Protection Regulations

<p>Data processing audits</p>	<p>Records of Processing Activities (ROPA)s are completed by services annually and submitted to the IG Team, which held copies centrally for review and oversight. The categories of data collected on the ROPA were consistent with ICO guidance. We confirmed that the ROPA were properly completed including the retention policy and submitted to the IG Team. The Team worked with Corporate Communications to upload these onto the Intranet so that they were accessible to all staff.</p> <p>The ROPA identified where consent was the legal basis for collecting and processing personal data and recorded how consent was obtained. Most activities of the council fall under Public Task and therefore do not require consent. However, for the sample of areas tested, which required consent we can confirm this consent was in place.</p>	
<p>Privacy statements and impact assessments</p>	<p>The council has produced a general privacy notice and service-specific privacy notices for all services which were accessible on the council website. Services undertaking any new initiatives or projects can request support from the IG Team for an assessment of the personal data sharing plans and completion of a privacy notice.</p> <p>The DPIA Policy set out the council's methodology to identify, assess, mitigate or avoid privacy risks. Annual ROPA required services are required to identify and report any new projects. There are regular posts included on Staff Notices to raise awareness of the need to ensure compliance with legislation. Procedures are in place to support managers in completing DPIAs for new projects, including DPIA screening using the ICO screening checklist.</p> <p>We were unable to establish for four projects from the Contracts Register that DPIAs were completed, although two of these were secured through a framework agreement. Whilst the onus was on services to complete DPIAs, the IG Team confirmed that they would follow these up.</p>	
<p>Policies, procedures and awareness training</p>	<p>Policies relating to GDPR include the Data Protection Policy, Information Security Policy and the Information Governance Terms and Conditions and were easily accessible on the council Intranet via the A-Z function. These were reviewed and updated in 2022.</p> <p>Article 28 of UK GDPR contained specific guidance on what procurement contracts should cover, and this was covered in the Framework. Service managers were given training and an exercise was performed by Legal Services and Procurement in 2018 to alter contracts to ensure compliance with GDPR. All new contracts were identified as part of the Data Protection Impact Assessment process and through completion of annual Records of Processing Activities (ROPA).</p> <p>Regular updates were added to staff notices to keep officers up to date with information governance requirements, including reminders to complete training. Annual completion of the e-learning training module on MeLearning is mandatory for all staff and the IG Team issue reminders to officers to refresh the training. A completion rate of 85% for the e-learning training has been estimated. There are however over 2000 staff records on the system which could not be matched to Oracle, and the Information Governance (IG) Team were in discussions with Digital Services to reconcile Oracle to meLearning and perform a clean-up of 'dead' accounts to ensure the accuracy of reported statistics.</p>	

Internal Audit

Grant Audit Summaries

2022/23



Appendix C

COVID-19 Bus Services Support Grant and Bus Recovery Grant

COVID-19 Bus Services Support Grant and Bus Recovery Grant

Statement of Grant Usage assurance

Covid Bus Services Support Grant (CBSSG)

We confirmed the allocated grant funding was received into the council's Oracle financial system and was used in accordance with grant conditions. For the period 17 March 2020 to the 31 August 2021 the grant was fully utilised to support income shortfalls and allowable expenditure.

Bus Recovery Funding (BRF)

We confirmed that grant funding was received into the Oracle financial system and was used in accordance with grant conditions. For the period 1 September 2021 to the 5 April 2022 there was a surplus of £158,273. At the audit report date, the council is in discussion with the Department for Transport (DfT) to establish whether the surplus grant is required to be repaid or whether it can be offset against other associated expenditure.

We produced grant certificates for both grants confirming compliance with grant conditions, and these were signed off by the Head of Internal Audit, and the CBSSG certificate was also signed off by the Chief Executive. Signed certificates were submitted to the DfT.

Background and Context

In 2020 the DfT announced funding of £254m for COVID-19 Bus Service Support Grant (CBSSG) to support local authorities. Funding allocated to Local Transport Authorities (LTA) was based on reported levels of income required to meet funding gaps faced in maintaining tendered service networks. LTA's were required to agree with local bus operators which commercial services would continue to operate during the COVID-19 outbreak to meet local needs and to compensate revenue shortfalls.

In July 2021 the Government announced bus recovery funding of £226.5m for the period of September 2021 to April 2022. BRG allocations assisted LTAs to continue to support tendered services, helping communities where buses are vital in providing access to work, education and preventing isolation, and to maintain service levels needed to help key workers get to work and the public to access essential services.

Financial Information

The total LTA CBSSG funding received by the council was £2,098,464. This was paid to the council in nine instalments under the 2020/21 No's 31/5023, 31/5032, 31/5049, 31/5120, 31/5198, 31/5563, 31/5621, 31/5652 and 31/5767. The total LTA BRG funding received by the council was £268,474, paid to the council in seven instalments.

Adult Weight Management Grant

Adult Weight Management Grant

Grant certification and verification

We have examined the 2021-22 Adult Weight Management Grant funding claims for the period 1st April 2021 to 30th June 2022 which have been submitted by Lancashire County Council to the Department of Health and Social Care, Office for Health Improvement and Disparities (OHID) (formerly Public Health England). We have examined the records and obtained such information and explanations and carried out such tests as we considered necessary to enable us to certify that we can provide reasonable assurance that the Statement of Grant Usage, in all material respects, fairly presents the eligible expenditure in the Grant Period in accordance with the definitions and conditions issued by the Department of Health and Social Care, Office for Health Improvement and Disparities.

We reviewed the transactions submitted to us by our Public Health Practitioners and can confirm that the expenditure claimed totalling £605,235 is in accordance with the Grant Funding Agreement specified in Annex A of the grant Terms and Conditions, and that the expenditure incurred during the period 1st April 2021 to 30th June 2022 was specifically related to the project described within the Grant Offer Letter dated 26th March 2021 from the Department of Health and Social Care, Office for Health Improvement and Disparities. The initial offer letter from OHID stated the grant offer period was from 1st April 2021 to 31st March 2022, however this was later extended to 30th June 2022.

Background

This audit has been undertaken following a request received on 04 August 2021 from the council's Public Health team. The terms and conditions of the grant requires Internal Audit to provide reasonable assurance that the Statement of Grant Usage (SOGU), in all material respects, fairly presents the eligible expenditure incurred in the Grant Period. The review was conducted in conformance with the Public Sector Internal Audit Standards.

Context

The grant was issued based on the understanding that the funding of £605,235 would be used to expand the Local Authority's Adult Behavioural Weight Management Service (tier 2), through uplifting or extending the existing tier 2 service provided. From the £605,235 grant funding, £600,000 was allocated across the 12 districts within Lancashire, who were commissioned to provide the service, calculations to support individual district allocations were based on the levels of obesity versus deprivation within each district. In accordance with the grant Terms and Conditions the remainder of the £5,235 was used to procure a service evaluation, which is currently in progress. Additionally, Lancashire County Council appointed Active Lancashire to contract manage the providers for this service. Lancashire County Council regularly submitted progress reports and weight management data to OHID to provide details of eligible expenditure incurred to date and the progress against the anticipated budget.

Inpatient Detoxification Treatment

Inpatient Detoxification Treatment
<p>Grant certification and verification</p> <p>We have examined the 2021-22 Inpatient Detoxification treatment grant funding claims for the period 1st April 2021 to 30th June 2022 which have been submitted by Lancashire County Council to the Department of Health and Social Care, Office for Health Improvement and Disparities (formerly Public Health England).</p> <p>We have examined the records and obtained such information and explanations and carried out such tests as we considered necessary to enable us to certify that we can provide reasonable assurance that the Statement of Grant Usage, in all material respects, fairly presents the eligible expenditure in the Grant Period in accordance with the definitions and conditions issued by the Department of Health and Social Care, Office for Health Improvement and Disparities.</p> <p>We reviewed the transactions submitted to us by our Public Health Specialists and can confirm that the revenue expenditure claimed totalling £372,000 and capital expenditure totalling £58,100 is in accordance with the Grant Funding Agreement specified in Annex A of the grant Terms and Conditions, and that the expenditure incurred during the period 1st April 2021 to 30th June 2022 was specifically related to the project described within the Grant Offer Letter dated 22nd April 2021 from the Department of Health and Social Care, Office for Health Improvement and Disparities.</p>

Background

This audit has been undertaken following a request received on 02 August 2021 from the council's Public Health Practitioner (Substance Use & Criminal Justice). The terms and conditions of the grant requires Internal Audit to provide reasonable assurance that the eligible expenditure incurred in the grant period, is in accordance with the definitions and conditions of the grant. The review was conducted in conformance with the Public Sector Internal Audit Standards.

Context

The grant was issued based on the understanding that the funding of £372,000 (revenue) and £58,100 (capital) would be used over a period of one year, to enable the consortium, comprising Lancashire County Council, Cumbria County Council, Blackburn with Darwen Borough Council and Blackpool Borough Council to start to commission additional inpatient alcohol and drug detoxification provision, which would increase the capacity within the treatment system and numbers of medically managed inpatient detoxification episodes.

The funding would also enable the consortium to provide additional commissioning/coordination capacity which focuses on developing and implementing the delivery plan and any strategic plan for inpatient detoxification going forward.

Lancashire County Council (LCC) already provides an Inpatient Detoxification Treatment service, and therefore this grant provided additional funding from OHID to enable expansion of the service. LCC already had contracts in place with CAIS and Delphi and in the interests of transparency LCC agreed contract variations with these two providers.

Universal Drug Grant

Universal Drug Grant

Grant certification and verification

We have examined the 2021-22 Universal Drug Grant funding claims for the period 1st April 2021 to 30th June 2022 which have been submitted by Lancashire County Council to the Department of Health and Social Care, Office for Health Improvement and Disparities.

We have examined the records and obtained such information and explanations, and carried out such tests as we considered necessary to enable us to certify that we can provide reasonable assurance that the Statement of Grant Usage, in all material respects, fairly presents the eligible expenditure in the Grant Period in accordance with the definitions and conditions issued by the Department of Health and Social Care, Office for Health Improvement and Disparities (formerly Public Health England).

We reviewed the transactions submitted to us by our Public Health Specialists and can confirm that the expenditure claimed totalling £872,000 is in accordance with the Grant Funding Agreement, and that the expenditure incurred was specifically related to the project described within the Grant Offer Letter.

Background

This audit has been undertaken following a request received on 5 July from the council's Public Health Behaviour Change team. The terms and conditions of the grant requires Internal Audit to provide reasonable assurance that the eligible expenditure incurred in the grant period, is in accordance with the definitions and conditions of the grant. The review was conducted in conformance with the Public Sector Internal Audit Standards.

Context

The grant was issued based on the understanding that the funding of £872,000 would be used to either incrementally add or complement existing services or offer new services in relation to delivering reductions in the rate of drug related deaths or offending and prevalence of drug use. Lancashire County Council submitted proposals to the OHID to identify how the grant funding would be allocated across each of the categories below in order to meet the requirement of the grant terms and conditions:

Category	Revised Proposal in Oct 21	Actual Spend
Systems coordination and commissioning	£20,304	£18,310
Harm reduction	£143,269	£130,783
Treatment options	£211,306	
Increased integration / improved care pathways	£382,719	£125,500
Enhanced recovery support	£85,227	£85,227
Other interventions	£29,175	
Payments to provider Change Grow Life which covers multiple categories	£0	£512,180
Total	£872,000	£872,000

Contain Outbreak Management Fund

Contain Outbreak Management Fund

Statement of Grant Usage assurance

We can confirm that use of grant funding complied with grant conditions.

The COMF grant was paid in six instalments during 2020-21 and we have been able to verify receipt of these payments against the specific grant determination letters: No's 31/5260, 31/5304, 31/5411, 31/5518, 31/5341 and 31/5456. The total COMF grant received by the council amounted to £30,929,847.

In 2020/21 the council spent £8,789,655 against the grant and a further £717,702 was spent up to 30 June 2022. Our review of this spend confirmed that this is consistent with the underlying grant conditions and can be verified against the list of activities identified by the DHSC. We verified the spend against supporting evidence and confirmed input and approval from the Director of Public Health. The DHSC has allowed the carry forward of unspent funding which on 30 June 2022 was at £21,422,490 although the majority of this balance has been committed in 2022/23. Assurance is also taken from the periodic grant returns completed by the council which provided information to the government on how the grant has been used.

A grant certificate containing the COMF grant income received and spent in the reporting period was produced and signed off by the Head of Internal Audit and submitted to the Chief Executive's office for sign and subsequent submission.

Background

The Contain Outbreak Management Fund (COMF) provided support to local authorities to prevent, contain and manage outbreaks of Covid-19. A further £400 million has been allocated for the COMF for the financial year 2021 to 2022 to continue to help reduce the spread of coronavirus and support local public health initiatives. This will take total COMF support across 2020 to 2021 and 2021 to 2022 to over £2 billion.

In March 2021, the government published an updated Covid-19 contain outbreak management framework for local areas, which set out how national and local partners will continue to work with the public at a local level to prevent, contain and manage outbreaks. Letters from the Department of Health and Social Care (DHSC) contained grant conditions and funding allocations which confirmed that the COMF remains ring-fenced for public health purposes to tackle COVID-19, working to break the chain of transmission and protecting the most vulnerable. While the DHSC provided local authorities flexibility in determining specific public health activities that can be funded, they did provide a general list of activities that this funding may be used for and required input from the Director of Public Health.

Context

The total funding received by the council was £30,929,847. This was paid to the council in six instalments under the 2020/21 Grant Determinations No's 31/5260, 31/5304, 31/5411, 31/5518, 31/5341 and 31/5456.

Social Care Digital Pathfinders Project

Social Care Digital Pathfinders Project

Statement of Grant Usage assurance

The objective of this review was to perform such procedures, as to obtain information and explanations which we consider necessary, in order to provide us with sufficient appropriate evidence to express a positive conclusion that Lancashire County Council (LCC) has used the grant funding for the delivery of the Social Care Digital Pathfinders Project in accordance with the conditions outlined within Schedule 1 of the Grant Agreement.

We reviewed the transactions submitted to us by the Subject Matter Expert/Specialist Advisor and can confirm that for the Discovery Stage the service was successful in meeting the two milestones set out within the grant agreement and in doing so received £50,000 funding. As for the Implementation Stage LCC have received a total of £318,500, from which LCC has spent £105,361 and holds £263,138 within reserves.

We found that there is no written confirmation from NHS England that LCC can retain any of the grant monies following the end of the grant period. However, we are informed that this was a topic of discussion throughout the programme between the Subject Matter Expert/Specialist Advisor and NHS England. NHS England have no mechanism to reclaim any unspent funds, thus it was agreed that LCC would retain any remaining grant monies with the intention that the funding be used to further enhance digital collaboration between LCC and the NHS.

We noted that work is still on-going and recently there has been discussions between the Subject Matter Expert/Specialist Advisor, Finance Team and the Director of Adults Community Social Care in relation to revised governance arrangements for the Pathfinder programme and how the money held within reserves will be used.

Background

NHS Digital in collaboration with NHS England was offering support to local partnerships over a two-year period in the form of a 'Social Care Digital Pathfinders' grant. The core aim of the project was to deliver a range of products and services through technology to provide improved services and greater efficiency within the Adult Care Sector. The funding for the project was split into two phases, the first stage was the development phase for the period August to October 2019 to be followed by an implementation phase over the period December 2019 to January 2021. However, this was formally extended to 30th September 2021.

Following successful evaluation of the development phase, up to 12 local participating partners progressed to the implementation stage from August 2019 to March 2021. NHS digital was seeking to work with successful applicants to support information sharing between Health and Adult Social Care settings and use data for prevention and early intervention in adult social care.

Context

For the Pathfinder grant there was grant funding of £50,000 for the development stage upon LCC being successful in meeting two milestones, one was for signing the grant agreement whilst the other was for submitting the end stage report. On the 19th November 2019 LCC received confirmation from NHS England that they were successful in progressing to the Implementation Stage of the Pathfinder Programme. The maximum claim for the implementation stage was set at £350,000.

Bus Service Operators Grant

Bus Service Operators Grant

Grant certification and verification

We confirmed that funding was received by Lancashire County Council for the full amount of £1,866,269 on the 22 June 2021. Grant conditions state that funding may be used only for the purposes of supporting bus services (including community transport services run under a section 19 permit), or for the provision of infrastructure supporting such services in that authority's, or a neighbouring authority's, area. We confirmed that all expenditure incurred has complied with grant conditions. A survey is required to be completed which reports how the authority has made use of the devolved funds. The Department for Transport (DfT) is expected to provide this survey in late September and the authority will ensure that this survey is completed and published on the internet page, in line with grant conditions. The council has published its most recent survey on its internet page which relates to the 2020/21 grant funding.

Background

This audit has been conducted to provide assurance to the DfT the Internal Audit Service considers information and evidence provided by the Public Transport team in support of grant claims submitted for 2021-22 is complete, accurate and that grant terms and conditions have been complied with. The audit covers the 2021-22 financial year and has been conducted in conformance with the Public Sector Internal Audit Standards. Our audit work was completed during September 2022.

Context

Grant funding was allocated to Lancashire County Council by the DfT to provide support to the authority towards expenditure lawfully incurred relating to bus services or the provision of infrastructure supporting such services.

In line with the grant determination letter, full funding totalling £1,866,269 was received by the council in June 2021. This funding has been spent in full throughout the 2021-22 financial year, supporting bus station operations through employment of staff and payment of business rates, as well as contributing towards private contractor and agency costs.

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.*

Audit, Risk and Governance Committee
Meeting to be held on Monday, 17 October 2022

Electoral Division affected:
(All Divisions);

Anti-Fraud and Anti-Corruption Policy Documents
(Appendices 'A' – 'D')

Contact for further information:
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andrew.dalecki@lancashire.gov.uk

Brief Summary

The Audit, Risk and Governance Committee is responsible for monitoring and reviewing the adequacy of the council's anti-fraud and anti-corruption arrangements.

In order to establish effective anti-fraud and anti-corruption arrangements, the council has a suite of policies to help reduce the risk of financial crime being perpetrated against the council and to enable a robust response to be delivered when it occurs. These policies have been reviewed and updated.

Recommendation

The Audit, Risk and Governance Committee is asked to review and approve:

- i) The updated Anti-Fraud, Bribery and Corruption Policy, as at Appendix A;
- ii) The new Fraud Sanction and Prosecution Policy, as at Appendix B;
- iii) The updated Whistleblowing Policy, as at Appendix C; and
- iv) The updated Anti-Money Laundering Policy Statement and Strategy, as at Appendix D.

Detail

The council is committed to adopting a zero-tolerance approach to fraud, bribery and corruption from both internal and external sources. It is committed to the highest possible standards of propriety and accountability in all its affairs.

In line with this commitment, a suite of policy documents has been in place for a number of years. Collectively they constitute the policies of the council relating to

anti-fraud and anti-corruption. They outline the principles the council is committed to, in relation to preventing and responding to all financial crime.

The anti-fraud, bribery and corruption policy, whistleblowing policy, and the anti-money laundering policy statement and strategy have been reviewed and updated to strengthen and improve the policies based on current legislation and best practice.

To further strengthen the council's current counter fraud arrangements, a new fraud sanction and prosecution policy has been developed. The overall objectives of all these policies are to limit the council's exposure to financial crime such as fraud, bribery and corruption, while also minimising associated financial loss and potential reputational damage. Through the strategic implementation of these policies the council aims to:

- Create and embed a best in practice counter fraud culture across all areas of the council and nurture an environment where everyone feels able to speak out safely when they suspect wrongdoing;
- Better understand the fraud risks facing the council;
- Implement measures to deter, prevent and detect fraud;
- Promptly and professionally investigate alleged or detected fraud; and
- Impose appropriate sanctions and seek redress where fraud, bribery or corruption are proven.

Appendix A – Anti-Fraud, Bribery and Corruption Policy. This policy outlines the principles the council is committed to in relation to preventing, reporting and managing fraud and corruption.

Appendix B – Fraud Sanction and Prosecution Policy. This policy provides a framework to ensure the most appropriate resolution is reached with the most appropriate sanction being applied when instances of financial crime can be proven.

Appendix C – Whistleblowing Policy. This policy sets out our commitment to take all concerns seriously and investigate them without fear of victimisation, prejudice, discrimination, or disadvantage. It enables whistleblowers to raise serious concerns within the council rather than overlooking a problem or 'blowing the whistle' outside.

Appendix D – Anti-Money Laundering Policy Statement and Strategy. This policy outlines the council's commitment to comply with the Money Laundering and Terrorist Financing Regulations 2019. It sets out the procedures and governance frameworks that must be followed to enable the council to comply with its legal obligation to prevent and detect money laundering.

Consultations

The Chief Executive and Director of Resources, the Director of Finance, and Legal Services have been consulted.

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 governance, risk management and internal control framework.

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

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



Anti-Fraud, Bribery and Corruption Policy

September 2022

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1. Introduction

- 1.1 The council is committed to adopting a zero-tolerance approach to fraud, bribery and corruption from both internal and external sources. It is committed to the highest possible standards of propriety and accountability in all its affairs.
- 1.2 In line with this commitment, this policy outlines our principles in relation to preventing, reporting and managing fraud and corruption.
- 1.3 The overall objective is to limit the council's exposure to fraud, bribery and corruption, minimising associated financial loss and potential reputational damage. Through the strategic implementation of this policy, the council aims to:
 - Create and embed a best in practice counter fraud culture across all areas of the council and nurture an environment where everyone feels able to speak out safely when they suspect wrongdoing (supplemented by the whistleblowing policy);
 - Better understand the fraud risks facing the council;
 - Implement measures to deter, prevent and detect fraud;
 - Promptly and professionally investigate alleged or detected fraud; and
 - Impose appropriate sanctions and seek redress where fraud, bribery or corruption are proven.
- 1.4 This policy is one of a suite of documents that collectively constitute the policies of the council in relation to anti-fraud and anti-corruption. The other key documents include:
 - Local code of corporate governance
 - Finance regulations
 - Procurement standing orders
 - Member's and co-opted members' code of conduct
 - Code of conduct for employees
 - Fraud sanction and prosecution policy
 - Anti-money laundering policy
 - Whistleblowing policy
- 1.5 The detection, prevention and reporting of fraud, bribery and corruption is the responsibility of all members and employees of the council. Fraud may be committed both from within the council and externally. Fraud may be complex or simple; opportunistic, pre-planned or continuous. Unlike fraud, bribery and corruption usually require the involvement of a council member or employee.
- 1.6 This policy ensures a structured and consistent approach is implemented by the council for the investigation of any cases of fraud, bribery and corruption.



2 Defining fraud and corruption

2.1 Although this document specifically refers to fraud, bribery and corruption, it equally applies to any forms of malpractice by individuals that could reduce public confidence in the council and its services and may also include acts committed outside official duties that impact upon the council's trust in the individual concerned. Examples include:

- Theft of property, including assets, data and cash
- Misuse of council property, vehicles, or equipment
- Nepotism or conflicts of interest
- False accounting
- Deception
- Computer misuse/misuse of council systems
- Cybercrime/ cyber enabled crime
- Other activities committed by officers or elected members which may be unlawful, contravene standing orders or council policies or fall below established standards or practices, or amount to improper conduct.

3 Fraud is defined as:

3.1 Acting dishonestly with the intention of making a personal gain or a gain for another, or inflicting a loss (or a risk of loss) on another. This includes but is not limited to:

- Dishonestly making a false representation
- Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose
- Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006.

4 Bribery

4.1 The Bribery Act 2010 contains the following four categories of offence and, whilst it was updated in May 2013, these categories of offence remained unchanged:

- Offering, promising or giving a bribe to another person;
- Requesting, agreeing to receive or accepting a bribe from another person;
- Bribing a foreign public official; and
- A corporate offence of failing to prevent bribery.

5 Corruption is defined as:

5.1 The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person. The Serious Fraud Office provides a number of indicators of corruption, including:

- Private meetings with public contractors or companies hoping to tender for contracts;



- Making unexpected or illogical decisions accepting projects or contracts;
- Abuse of the decision process or delegated powers; and
- Agreeing contracts not favourable to the organisation.

6 Reporting suspected fraud and corruption

- 6.1 Every council employee and elected member has an obligation to report any allegations of fraud, bribery or corruption. The council places an expectation on all its members to report any allegations as soon as is practically possible.
- 6.2 The first step for an employee is normally to raise concerns with their immediate supervisor/ manager or head of service. However, this may depend on the seriousness and sensitivity of the issues and who is believed to be involved. For example, if it is believed that management is involved, then a more senior level of management should be approached within the service. An employee may also invite their trade union or professional association to raise a matter on their behalf.
- 6.3 Advice and guidance on how to pursue matters of concern can be obtained by ringing the whistleblowing line on 01772 532500. Similarly, non-employees (e.g. agency workers or contractors) should raise a concern in the first instance with their contact within the council, usually the person to whom they directly report.
- 6.4 The council also provides an alternative way to report concerns or suspicions via the council's whistleblowing reporting procedures, as outlined in the whistleblowing policy. Whilst total anonymity cannot be guaranteed, every effort will be made not to reveal the name of the whistleblower. However, if criminal activity is found and the case is forwarded to the police, then their identity may be needed later.
- 6.5 If a person feels that they cannot approach management and still want to raise their concerns, the following options are available:
- Confidential whistleblowing number: 01772 532500.
 - Email: Whistleblow@lancashire.gov.uk
 - Online referral form, accessed here: [Whistleblowing Referral Form](#).

Concerns can also be made in writing and correspondence should be sent to:

The Whistleblowing Controller, Internal Audit Service, Finance Directorate, Lancashire County Council, County Hall, Preston, PR1 0LD.



7 Action by managers

- 7.1 If a concern has been reported to a manager by a member of staff, the manager should:
- Listen to the concerns and treat every report seriously and sensitively.
 - Reassure staff that their concerns will be taken seriously and passed on to be investigated.
 - Ask the person for current contact details and ask them how they want to be contacted.
 - Obtain as much information as possible from the member of staff, including any notes or evidence to support the concern. Do not interfere with this evidence and ensure it is kept securely.
 - Do not attempt to investigate the matter yourself or attempt to obtain any further evidence.
 - Report the matter immediately to 'the controller' via Internal Audit or email Whistleblow@lancashire.gov.uk or telephone to 01772 536442.

8 Action by councillors

- 8.1 If a councillor has suspicions about fraud, bribery or corruption, whether it be a fellow elected councillor, officers of the council or partner organisations of the council, they should report this at the earliest opportunity to the Chief Executive Officer, the Monitoring Officer or the Head of Internal Audit.

9 Investigating suspected fraud and corruption

- 9.1 The action taken by the council will depend on the nature of the concern. The matter raised may be investigated internally or referred directly to the police. The council may jointly investigate allegations with other agencies such as HM Revenue and Customs (HMRC) or the Department for Work and Pensions (DWP).
- 9.2 All internal investigations will normally be led by the internal audit team, and each case will be judged on its merit. The purposes of any investigation shall be to:
- Establish the facts of any suspected fraud in order to inform decisions regarding further action;
 - Clear innocent persons of any suspicion;
 - Enable the recovery of losses;
 - Assist with the prosecution and sanction of offenders; and
 - Improve systems and controls to prevent and deter fraud and corruption in the future.
- 9.3 Investigations will be assigned to a lead officer who is suitably qualified and experienced. The officer will ensure that the investigation is conducted impartially and objectively, and will, as appropriate:



- Determine and plan the resources needed for the investigation;
- Comply with all relevant statutory requirements, codes of practice, and the ethical standards of relevant professional bodies;
- Deal promptly with the matter and take into consideration the security of evidence and assets;
- Access any council systems/data required as part of their obligation to investigate all reasonable lines of enquiry;
- Establish the facts and secure and record evidence;
- Interview witnesses and obtain statements;
- Interview suspects in line with the Police and Criminal Evidence Act 1984; and
- Report on the findings and, if necessary, implement the council's disciplinary procedures.

9.4 A case file including an investigation report will be prepared at the conclusion of the investigation and will be available as evidence in any disciplinary hearing, tribunal, or court case. The results of an investigation will be confidential and will not be discussed or disclosed to anyone other than those who have a legitimate need to know.

9.5 Where an investigation requires 'directed surveillance' or use a 'covert human intelligence source', the investigating officer(s) must ensure that the investigation is undertaken in accordance with the council's RIPA Policy. Any such surveillance may only be undertaken after the appropriate authorisation has been obtained.

9.6 All employees have a duty to protect the council against all forms of crime. The council places an expectation on us all to assist with any investigations into potential wrongdoing. This includes when necessary, providing witness statements. Failure to assist an investigation without good reason could result in disciplinary action.

9.7 It is important that all witnesses or other parties (who are aware of an ongoing investigation) always maintain confidentiality. It is important that the case/matter is not discuss or any potential suspects are alerted of the investigation. Failure to do this is a serious matter and could seriously undermine an investigation and could result in disciplinary action.

10 Recovery and sanctions

10.1 Cases may be referred to the police or other law enforcement agencies for investigation. This may subsequently result in referral to the Crown Prosecution Service or another prosecutor. The decision to refer cases to the police or take other actions will normally be made by the



Head of Internal Audit. This decision may be taken in consultation with the Monitoring Officer and/or the Chief Executive Officer. Other actions that may be taken by the council include:

- Instigating prosecution proceedings with Lancashire County Council acting as the prosecution body;
- Civil recovery or debt collection proceedings to recover the loss (including the cost to the council for investigating the case);
- Referral to other agencies, regulators, or professional bodies;
- Disciplinary proceedings; or
- Pension forfeiture.

10.2 Where an investigation indicates fraud or corruption, the council will use the full range of sanctions available to it, including criminal prosecution, civil recovery, internal discipline and referral to other law enforcement agencies and professional bodies to deter fraud, bribery and any other associated offences.

10.3 The council's disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour. This may be in addition to any other recovery action or sanctions. Referral to the police will not prohibit action under the disciplinary procedure.

10.4 If an employee resigns from employment during an investigation the council may report the findings of any investigation to other bodies such as the Disclosure Barring Service (DBS) or the Solicitors Regulation Authority (SRA).

11 Review of the policy

11.1 The fraud, bribery and corruption policy will be reviewed and updated as required to reflect new legislative requirements, professional developments and any other relevant matters.



Fraud Sanction and Prosecution Policy

September 2022

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1. Policy statement

- 1.1 Lancashire County Council (the council) will use the full range of sanctions available to deter financial crime including, fraud, bribery, corruption, money laundering, and any other associated offences. These sanctions may include criminal prosecution, civil recovery, internal discipline, and referral to professional bodies. The council will utilise its own Legal Services or agent solicitors and the Crown Prosecution Service to conduct prosecutions where appropriate. The council will refer matters to the police and other law enforcement agencies or regulators where appropriate and support those agencies in bringing proceedings.

2. Introduction

- 2.1 The council's fraud, bribery and corruption policy and its anti-money laundering (AML) policy both set out the council's aims and objectives with regard to tackling fraud, money laundering and associated offences. The council will seek the strongest possible sanction against any individual or organisation that defrauds or seeks to defraud the council. The use of sanctions will be governed by this policy and the principles of the policy shall apply equally to any fraud against the council or against funds for which the council has responsibility. The objectives of this policy are:
- To ensure that the council applies a full range of sanctions in a just and consistent manner;
 - To ensure that sanctions are applied in an effective and cost efficient manner; and
 - To ensure that the sanction decision making process is stringent, robust and transparent.
- 2.2 This policy provides a framework to ensure the most appropriate resolution to a case is reached. The sanction decision will always have regard to the council's fraud, bribery and corruption policy and anti-money laundering objectives, the individual circumstances of each person concerned and the overall impact of the sanction to both the individual and the community.
- 2.3 A range of sanctions are available to the council. These include disciplinary action, civil recovery, criminal proceedings, and civil penalties or pension forfeiture. In appropriate cases the council may take more than one form of action. For example, if an employee defrauds the council, disciplinary action, prosecution, and civil recovery action may all be taken.
- 2.4 When considering a case for prosecution it is generally accepted that there are two "tests" to be applied – the evidential test and the public interest test. These are currently set out in the Code for Crown Prosecutors 2018. The evidential stage test must be considered prior to the public interest stage.



3. Evidential stage test

- 3.1 Investigators and prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. They must consider what the defence case may be, and how it is likely to affect the prospects of conviction. A case which does not pass the evidential stage must not proceed, no matter how serious or sensitive it may be. The evidence must be acquired in a form which can be used by the court and be admissible and there must be enough evidence to form a realistic prospect of conviction.
- 3.2 To ensure that a “realistic prospect of conviction” exists, Investigation Officers will at all times ensure that investigations are conducted in accordance with all relevant legislation and codes of practice with regard to evidence gathering, interviewing and rules of disclosure. An investigator must always work to the highest jurisdiction standards for a case. I.e., criminal case standards should be used at the start of an investigation as these will always meet the lower standards for civil or tribunal cases.
- 3.3 The evidence gathered will be examined by the Head of Service – Internal Audit and, if satisfied that sufficient evidence exists to successfully prosecute and that the public interest stage is also satisfied, the case file will be passed on to either the council’s Legal Services, agent solicitors, or the Crown Prosecution Service. All prosecutors will then apply their own inspection of the evidence to ensure that both tests are met. Alternatively, the case file may be passed to the police, other law enforcement agencies or regulators if appropriate.

4. Public interest test

- 4.1 A prosecution will usually take place unless the prosecutor is sure that public interest factors tending against prosecution outweigh those tending in favour. The more serious the offence or the offender’s record of criminal behaviour, the more likely it is that a prosecution will be required in the public interest. Aggravating and mitigating factors will be taken into consideration when deciding on the appropriate sanction as set out in the Code for Crown Prosecutors.

5. Sanctions

- 5.1 Cases may be referred to the police or other law enforcement agencies for investigation. This may subsequently result in referral to the Crown Prosecution Service or another prosecutor. The decision to refer cases to the police or take other actions will normally be made by the Head of Service – Internal Audit. This decision may be taken in consultation with the



Monitoring Officer and/or the Chief Executive Officer. Other actions that may be taken by the council include:

- Instigating prosecution proceedings with Lancashire County Council acting as the prosecution body;
- Civil recovery or debt collection proceedings to recover the loss (including the cost to the Council for investigating the case);
- Referral to other agencies, regulators, or professional bodies;
- Disciplinary proceedings;
- Pension forfeiture.

5.2 A local government pension scheme (“LGPS”) employer can apply to forfeit the employee’s pension or to recover some or all of their pension benefits. Funds can be recovered or retained relating to money owed in the following circumstances:

- The pension scheme member has committed an act of grave misconduct or a criminal, negligent or fraudulent act or omission;
- The member has, as a result, left the employment through which they were a member;
or
- The member owes money as a result of their misconduct, act or omission to their former scheme employer.

6. Prosecution

6.1 Prosecution proceedings will usually be instigated only after the evidential and public interest tests are satisfied as detailed in the Code for Crown Prosecutors. Examples of when a prosecution will be considered include:

- When the offender is an employee, or the case involves a breach of trust or abuse of position;
- The fraud has been deliberate and calculated;
- The fraud had continued over a long period;
- The fraud has resulted in a large financial loss;
- The person has failed to attend an interview under caution; or
- There were other persons involved in the fraud.

6.2 The council recognises that prosecution is a serious step to take and the decision to refer cases for prosecution will not be taken lightly. The ultimate decision on a prosecution will be taken by the prosecuting body. In some cases, this will be the council, through the council’s Legal Services or agent solicitors, and in other cases the Crown Prosecution Service. The decision to refer cases to a prosecuting body will be taken by the Head of Service – Internal



Audit. This decision may be taken in consultation with the Monitoring Officer and/or the Chief Executive Officer.

7. Referrals to law enforcement agencies, professional bodies or regulators

7.1 Referrals may occur in cases of staff fraud or when the fraud is complex and/or of a serious nature. The decision to refer cases to the police or other agencies for investigation will be taken by the Head of Service – Internal Audit.

8. Publicity

8.1 It is the council's intention to positively promote this policy as well as the outcome of any prosecutions, which will deter others from fraudulent activity.

9. Reporting and review

9.1 An annual report on fraud and corruption matters will be produced for the Audit, Risk and Governance Committee. This will provide a summary of actions taken under this policy.

9.2 The policy will be subject to periodic review and approval by the Audit, Risk and Governance Committee, which is responsible for monitoring and reviewing the adequacy of the council's anti-fraud and corruption policies and arrangements.



Whistleblowing Policy

September 2022

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1. Introduction

- 1.1 Lancashire County Council (the council) is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, the council actively encourages and expects all employees, contractors, or third parties who have serious concerns about any aspect of the council's work to come forward and voice those concerns.
- 1.2 This policy sets out the council's commitment to take all concerns seriously and investigate them without fear of victimisation, prejudice, discrimination, or disadvantage. It enables whistleblowers to raise serious concerns within the council rather than overlooking a problem or 'blowing the whistle' outside.

2. Who is a whistleblower?

- 2.1 Any person who has made, makes or is intending to make a protected disclosure or is perceived by a relevant person to have made, be making or intending to make a protected disclosure. For the purpose of this policy, a protected disclosure can be:
- A criminal offence or regulatory breach.
 - The failure of any person including a relevant person to comply with a legal obligation.
 - A miscarriage of justice.
 - The endangering of the health or safety of any person.
 - Damage to the environment.
 - Mismanagement of public funds.
 - Misuse or abuse of authority.
 - Such other matter as may be prescribed in regulations made by the Secretary of State.
 - Concealment of information or removal or deletion or destruction of any documents relating to any of the above matters.
- 2.2 Personal grievances (for example bullying, harassment, discrimination) are not covered by whistleblowing law, unless your particular case is in the public interest. These should be reported under the council's grievance procedure and not this policy .
- 2.3 The council places an expectation on all its employees to raise any concerns they have at the earliest opportunity. The council understands employees may not wish to express their concerns because they feel that speaking up would be disloyal to their colleagues or to the council. They may also fear harassment or victimisation. The council understands these concerns and makes clear in this policy its commitment to protect people who speak up from possible reprisals or victimisation.



- 2.4 The policy applies to all employees and workers, (including those designated as casual, temporary, authorised volunteers or individuals gaining work experience), and contractors on council premises, (including agency staff, builders, and drivers). It also covers suppliers and those providing services under a contract with the council in their own premises, for example care homes and children's centres. This policy also covers councillors.
- 2.5 This policy recognises that anyone could potentially be a whistleblower including members of the public. However, employees are often the first to realise that there may be something seriously wrong within the council. Therefore, whilst this policy is primarily for use by employees and councillors, it may also be used by members of the public, so that individuals unconnected to the council may also report concerns relating to any aspect of council business.

3. Aims of this policy

3.1 This policy aims to:

- Encourage individuals to feel confident in raising serious concerns and to question and act upon concerns about practice and procedures.
- Provide clear avenues for individuals to raise concerns and receive feedback on any action taken.
- Reassure individuals that they will be protected from possible reprisals or victimisation from those working within or for the council if they have a reasonable belief that they have made any disclosure in good faith.
- Ensure the council has a centrally controlled oversight ('the controller', defined later in the policy) of all concerns raised under this policy, ensuring all concerns are recorded, investigated, and responded to consistently across the council.
- Ensure the council is compliant with legislation including the public interest disclosure act.
- Prepare the council for the new requirements and obligations of the proposed Whistleblowing Bill, which is currently progressing through Parliament.

4. Scope of this policy

- 4.1 As mentioned, it is important for employees to understand that complaints relating to their own employment situation would constitute a grievance and should be reported using the grievance policy.
- 4.2 This policy is in addition to the council's complaints procedures and other statutory reporting procedures, including safeguarding procedures. Where appropriate, employees are responsible for making service users aware of the existence of these procedures.



- 4.3 This policy is not a substitute for and does not replace other relevant policies within the council. Where the whistleblowing concerns raised relate to a breach of one of those policies they will be investigated under that policy. This policy is not intended to be used where other more appropriate procedures are available. These may include, but are not limited to:
- Disciplinary Procedure
 - Child and Adult Safeguarding Policies and Procedures
 - Dignity at Work Policy
 - Single Equalities Scheme
 - Corporate Complaints Policy
- 4.4 Employees raising whistleblowing concerns relating to another relevant policy will still receive the protections of this policy even when the issues are to be investigated and dealt with under another process.
- 4.5 The scope of this policy does not cover schools as every maintained school should have their own whistleblowing policy. The governing body of a school is responsible for agreeing and establishing their own whistleblowing policy. Similarly, academy trusts must have appropriate procedures in place for whistleblowing, making it clear all concerns will be responded to properly, consistently, and fairly. Therefore, any concerns relating to a school should be reported to the school via the school's own whistleblowing policy.
- 4.6 There is a requirement for a director or head of service to notify the Director of Finance immediately of all suspected financial or accounting irregularities as soon as they are notified of them (Financial Regulation 3.8). Although, this requirement is not superseded by this whistleblowing policy, any suspected financial or accounting irregularities reported to Internal Audit will be forwarded immediately to the director of finance.
- 4.7 This policy supports the council's fraud, bribery and corruption strategy. It is intended to help people raise concerns over any wrongdoing within the organisation. It supports people to raise concerns internally in the first instance rather than overlooking the problem or 'blowing the whistle' externally. However, provided an individual has a reasonable belief that they are making a disclosure on an honest basis, the council will apply the same protections for the individual reporting their concerns either internally or externally. Examples of concerns that should be raised under this policy include:



- Actions or behaviour that make you feel uncomfortable, that fall below established standards of practice or would amount to improper conduct.
- Actions in breach of the council's standing orders and or other council policies.
- Dangerous procedures or practices, including risks to the public, service users and to other employees.
- Conduct which is a criminal offence or a breach of the law.
- The unauthorised use of public funds.
- Theft, fraud, corruption, and other financial misconduct.
- Sexual or physical abuse of service users.
- Other unethical conduct, dishonesty or actions that fall short of the Seven Principles of Public Life: <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

4.8 This list is not meant to be exhaustive but gives examples of potential malpractice. The overriding concern should be that it is in the public interest for the potential malpractice to be corrected and sanctions taken if needed.

5. Safeguards

5.1 The council is committed to a best in practice culture of speaking out safely and expects all its employees to raise concerns as soon as possible.

5.2 The council recognises that the decision to report a concern can be a difficult one to make. If a person genuinely believes their concerns are well founded, then they will have nothing to fear because they will be doing their duty to the council and those for whom they are providing a service.

5.3 The council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect anyone that raises a legitimate concern which is in the public interest. Any member of staff who harasses or victimises a whistleblower may not only be personally liable but may also be subject to disciplinary action.

5.4 In all cases, the provisions of the Public Interest Disclosure Act 1998 (PIDA) will be adhered to. However, the Enterprise and Regulatory Reform Act 2013 (ERRA) introduces a public interest test requirement on whistleblowers. To receive the protection of the Public Interest Disclosure Act, whistleblowers will be required to show that they reasonably believed that the disclosure they are making is in the public interest. This should be done through the evidence they present when raising their concern. The procedure for making allegations is set out later



in this policy. Further information on the Enterprise and Regulatory Reform Act can be found at www.legislation.gov.uk.

6. Confidentiality

- 6.1 All concerns will be treated in confidence and every effort will be made not to reveal the identity of the person making the allegation if they so wish (subject to any legal requirements or decisions). Following an investigation of the allegations, disciplinary, criminal, or other proceedings may need to progress. In these circumstances it may not always be possible to guarantee a person's anonymity. For example, if a hearing is needed, either by law, or under a council procedure, the employee disclosing the concern may be required to give evidence.
- 6.2 It may be possible to establish the truth about allegations from another independent source and the council will seek to do this where possible. If the nature of the whistleblowing concerns requires disclosure to other people or organisations so they can investigate, then the person who originally disclosed this will be informed that this needs to happen.

7. Anonymous allegations

- 7.1 This policy encourages everyone making the allegation to put their name to their allegation whenever possible. Where an individual chooses to report their concerns anonymously, such anonymity will be respected. However, if the council does not know who has provided the information, it is not possible to either reassure or protect the whistleblower. If the allegation suggests criminal activity and the case warrants police action, the identity of the person reporting the details is important. Identification is therefore preferred and will assist the investigation.
- 7.2 Although it is more difficult to investigate anonymous allegations as the ability to further explore issues or obtain evidence during the investigative process can be reduced, the council will not seek to establish the identity of an anonymous whistleblower.

8. Untrue allegations

- 8.1 If a person makes an allegation which they genuinely believe is in the public interest, but investigations later show that the allegation is unfounded, it is important that the person is reassured that they have done the right thing. The county council encourages people to raise any concern when they have a genuinely held belief wrongdoing has occurred. If, however, an allegation is made frivolously, maliciously or for personal gain, appropriate action could be taken against them. This includes disciplinary action if they are a council employee. If they are an elected member, they may have breached the Code of Conduct for members. If they are a

contractor or partner, such allegations may put them in breach of their contractual responsibilities to the council.

9. How should a concern be raised?

- 9.1 Although this process is mainly intended for use by employees of the council, its partners and those organisations who contract to provide services on the council's behalf, members of the public may use the same processes to report any concerns or disclosures over wrongdoing and these will be treated in the same way. However, this process is not intended to replace the council's complaints procedure. Therefore, the council will not consider any complaints that have already been or are currently being addressed under the council's complaints procedure.
- 9.2 The first step for an employee is normally to raise concerns with their immediate supervisor/ manager or head of service. However, this may depend on the seriousness and sensitivity of the issues and who is believed to be involved. For example, if it is believed that management is involved, then a more senior level of management should be approached within the service.
- 9.3 An employee may also invite their trade union or professional association to raise a matter on their behalf.
- 9.4 Advice and guidance on how to pursue matters of concern can be obtained by ringing the whistleblowing line on 01772 532500. Similarly, non-employees (e.g. agency workers or contractors) should raise a concern in the first instance with their contact within the council, usually the person to whom they directly report.
- 9.5 If a person feels that they cannot approach management and still want to raise their concerns, the following options are available:
- Confidential whistleblowing number: 01772 532500
 - Email: Whistleblow@lancashire.gov.uk
 - Online referral form accessed here: [Whistleblowing Referral Form](#).
 - Concerns can also be made in writing and correspondence should be sent to:
The Whistleblowing Controller, Internal Audit, Finance Directorate, Lancashire County Council, County Hall, Preston, PR1 0LD

10. Action by managers

- 10.1 If a concern has been reported to a manager by a member of staff, the manager should:
- Listen to the concerns and treat every report seriously and sensitively.



- Reassure staff that their concerns will be taken seriously and passed on to be investigated.
- Ask the person for current contact details and ask them how they want to be contacted.
- Obtain as much information as possible from the member of staff, including any notes or evidence to support the concern. Do not interfere with this evidence and ensure it is kept securely.
- Do not attempt to investigate the matter yourself or attempt to obtain any further evidence.
- Report the matter immediately to 'the controller' via Internal Audit or email Whistleblow@lancashire.gov.uk or telephone to 01772 536442.

11. The responsible officer

11.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy.

12. The controller

12.1 To ensure a consistent approach is applied to all whistleblowing allegations received under this policy, the council has a control function overseeing and monitoring all whistleblowing allegations. This role will be fulfilled by 'the controller'. Internal Audit will act as the controller on behalf of the Monitoring Officer.

12.2 The controller will receive and log all the whistleblowing concerns. The controller will triage each case to ascertain the nature of the concerns and determine the next course of action required. The controller will assign the case to a responsible officer. The controller will provide quarterly reports of concerns raised and the outcome (but in a form which does not endanger confidentiality) to the Monitoring Officer. This will also be reported at least annually to the Risk, Audit and Governance Committee via the Head of Internal Audit.

12.3 It is important to note under this policy the role of the controller does not fundamentally change who is responsible for investigating certain types of complaint. When appropriate, an investigation may be completed by the service area the complaint relates to. If this is deemed inappropriate, the investigation will be completed independently of the service area. Any potential disciplinary or employee conduct concerns will be passed to Human Resources (HR) to be addressed under a relevant HR policy.

13. How the council respond to concerns raised

13.1 The council will respond to the whistleblowers' concerns. Initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle which the council will have in mind is the public interest. It is important to



note that reviewing and testing out the concerns is not the same as either accepting or rejecting them. If the whistleblower confirms that they wish to raise their concerns formally under this policy, a responsible person will be designated in consultation (as necessary) with the Monitoring Officer or the Internal Audit Service to coordinate the response to the concerns raised. Where appropriate, the matters raised may:

- Be investigated by management;
- Investigated by Internal Audit Investigations;
- Investigated through the disciplinary or other appropriate council process;
- Be referred to the police;
- Be referred to the external auditor; and/or
- Form the subject of an independent inquiry.

13.2 Concerns or allegations which fall within the scope of specific procedures (for example, child protection, safeguarding or discrimination issues) will normally be referred for consideration under those procedures.

13.3 Some concerns may be resolved following an initial review without the need for a full investigation. If urgent action is required, this will be taken before any investigation is conducted.

13.4 In cases where contact details are available the responsible person will contact the whistleblower. The council will aim to do this within ten working days. The council will provide the following information:

- Acknowledgment that the concern has been received.
- An indication of how the council propose to deal with the matter.
- An estimate of how long it may take to provide a final response.
- Details of staff support mechanisms available.
- An update as to any initial enquiries that have been made and what possible further investigations will take place or reasons why further investigations will not take place.

13.5 The amount of contact between the whistleblower and the officers considering the issues will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided. If necessary, the council will seek further information.

13.6 Where any meeting is arranged, the whistleblower can be accompanied by a fellow worker, a trade union representative or an official employed by a trade union.



13.7 The council will take steps to minimise any difficulties which people may experience by raising a concern. For instance, if they are required to give evidence in criminal or disciplinary proceedings the council will arrange for them to receive advice about the procedure.

13.8 The council accepts that whistleblowers need to be assured that the matter has been properly addressed. Therefore, subject to legal constraints, the council may inform the whistleblower of the outcome of any investigation. However, any information provided will be at the discretion of the council. The council may not be able to provide details of any outcomes affecting other individuals such as whether there was any disciplinary action or the outcome of this action, as this would breach the council's duty of care to others.

14. How the matter can be taken further

14.1 This policy is intended to provide people with an avenue within the council to raise concerns. If anyone feels it is right to take the matter outside the council, the following are possible contact points:

- The external auditor
- Citizens' Advice Bureau
- Relevant professional bodies or regulatory organisations
- A relevant voluntary organisation
- The police
- Organisations prescribed from time to time by the Secretary of State for the purpose of protected disclosure under the public interest disclosure act.

14.2 If the matter is taken outside the council, confidential information should not be exposed, for example such as that covered by the Data Protection Act 2018, which enabled the implementation of the general data protection regulations in the UK. It is advised that advice is sought before reporting a concern externally. The independent whistle blowing charity, Public Concern at Work operates a confidential hotline (020 7404 6609) and can provide advice as necessary

15. Review of the policy

15.1 This policy will be subject to periodic review, and changes made to the policy as deemed appropriate following necessary consultation with interested parties.

15.2 A new Whistleblowing Bill is currently progressing through Parliament. This policy will be reviewed and updated as required in line with the requirements of the bill when the bill receives royal assent.



Anti-Money Laundering Policy Statement and Strategy

September 2022

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1. Introduction and Scope

- 1.1 The Money Laundering and Terrorist Financing Regulations 2019 (MLR 2019) came into force on the 10 January 2020. The new Regulations widen the scope of the regulated sector from that defined by the 2017 Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations (MLR 2017), which came into force on 26 June 2017.
- 1.2 This policy explains what money laundering is and outlines the council's commitment to comply with the MLR 2019. It sets out the procedures and governance frameworks that must be followed (for example the reporting of any suspicions of money laundering activity) to enable the council to comply with its legal obligation to prevent and detect money laundering.
- 1.3 Local authorities are not directly covered by the requirements of MLR 2019, however, the consensus among financial and legal regulators/institutions (including the Chartered Institute of Public Finance and Accounting [CIPFA]), is that all public service organisations should comply with the underlying spirit of MLR 2019 and put in place appropriate and proportionate safeguards and reporting arrangements.
- 1.4 The MLR 2019 imposes specific obligations on “relevant persons”. The term relevant person relates to the following activities carried out in the course of business; tax advice; accounting services; treasury management; investment or other financial services; credit institutions; audit services; legal services; estate agents; services involving the formation, operation or arrangement of a company or trust; dealing in goods wherever a transaction involves a cash payment equivalent to £12,000 (€15,000) or more.
- 1.5 Not all the council business would fall under the definition of “relevant”, however, the safest way to ensure compliance with the law is to apply the definition of "relevant" to all areas of work undertaken by the council.
- 1.6 This policy therefore applies to all employees and elected members of Lancashire County Council. The definition of employee includes casual/temporary employees, agency staff and any contractor acting on behalf of the council. The council will ensure its partners and all companies it is in contract with are informed of the procedures the council has in place to tackle money laundering.
- 1.7 This policy forms part of the council's wider commitment to tackle all forms of Financial Crime and should be read in conjunction with the council's counter-fraud strategy, anti-bribery and corruption, and whistleblowing policies.



2. What is money laundering

2.1 Money laundering in simple terms is a process that makes money with an illegal origin appear legal, or simply put to make "bad money appear good". The ultimate aim of a money launderer is to legitimise the criminal funds so they can spend it in the mainstream wider economy without drawing the attention of law enforcement agencies to the original criminality.

2.2 Money laundering often involves 3 steps:

- **Placement** – cash is introduced into the financial system by some means;
- **Layering** – a single or series of transactions to camouflage the illegal source;
- **Integration** – the funds are reintroduced into the economy to appear legitimate, e.g., receiving an item, property, money or service in return.

2.3 Money launderers are often intuitive and come across as very plausible in how they operate/ present themselves. They can use complex "cover stories" or even businesses to enable their activity and disguise their criminal intent. Their true motive is to establish a relationship with a legitimate business or large institution and use them to unwittingly "clean" their criminal funds. This exposes the council to the risk of being targeted by criminals.

2.4 Money laundering is a term used to describe several different offences that involve the proceeds of crime or terrorism funds. money laundering is defined as (further details in **Appendix A**):

- concealing, disguising, converting, transferring criminal property, or removing it from the UK; or
- entering into or becoming concerned in an arrangement which you know, or suspect, facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person; or
- acquiring, using, or possessing criminal property.
- Failure to disclose knowledge or suspicion of another person(s) involvement in money laundering; and
- Tipping off or making a disclosure which is likely to prejudice an investigation being carried out by a law enforcing authority, knowing that such an investigation is in motion.

2.5 Money laundering is included within the following pieces of legislation:

- Proceeds of Crime Act 2002 (the POCA) (as amended by the Serious Organised Crime and Police Act 2005, Crime and Courts Act 2012, Serious Crime Act 2015 and Criminal Finances Act 2017).



- Money Laundering Terrorist Financing & Transfer of Funds (Information on the Payer) Regulations 2017 (as amended by the money laundering & Terrorist Financing (amendment) Regulations 2019).
- The Terrorism Act 2000 (as amended by the Criminal Finances Act 2017).
- Offences under the Bribery Act 2010 may also constitute money laundering.

2.6 The legislation covers all criminal property where the alleged offender knows or suspects the property constitutes or represents benefit from any criminal conduct. Property is all property (including tax evasion) situated anywhere in the world for example:

- Money
- All real, personal, heritable or 'moveable property'
- Intangible and incorporeal property
- Property obtained by a person who has an interest in it
- Things in action and other intangible or incorporeal property

2.7 Whilst the risk to the council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. **The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO) or Deputy MLRO (as detailed in section 5 below).**

2.8 It is impossible to give a definitive list of ways to spot money laundering or how to decide whether you need to make a report. Facts or just a gut instinct that something isn't quite right, can all lead you to the conclusion that you must report your concern. The law says this intangible feeling can be deemed sufficient to form a reasonable suspicion of money laundering. It is therefore important that in these circumstances you report your concerns. Failure to do so could lead to you committing an offence. Risk factors can either alone or cumulatively with other factors, suggest the possibility of money laundering activity and these are provided at **Appendix B: Possible signs of money laundering.**

2.9 It is important to understand that when an employee suspects money laundering (and reports it in line with this policy), or when an employee is aware that someone else has reported a concern in line with this policy, they must exercise caution in what is discussed with others, as this may be captured under the further offence of tipping off should it potentially prejudicing an investigation. The offence of tipping off is taken very seriously by law enforcement and any employee who falls into this scenario could be subject to criminal prosecution. For this reason,



it is strongly advised that employees refrain from talking to others about the suspicion/report and avoid engaging in gossip or reckless conversation.

3. Obligations on the council

- 3.1 Not all the council's business is "relevant" for the purposes of MLR 2019. It is mainly accountancy, financial, company and property transactions that are deemed relevant.
- 3.2 The obligations on the council are to establish and maintain appropriate and risk-sensitive policies and procedures. The council must:
- Appoint a money laundering reporting officer (MLRO) to receive disclosures of money laundering activity;
 - Implement a procedure to enable reporting of suspicions of money laundering;
 - Apply due diligence measures in certain circumstances;
 - Know the intended nature of business relationships and undertake ongoing monitoring of them (to identify unusual transactions);
 - Maintain client identification procedures in certain circumstances;
 - Maintain record keeping procedures retaining details of transactions for at least 5 years;
 - Conduct money laundering and terrorist funding risk assessment and adopt appropriate internal controls; and
 - Train relevant staff.

4. The Money Laundering Reporting Officer (MLRO)

- 4.1 The MLRO for Lancashire County Council is designated as N.Kissock, Director of Finance. The Deputy MLRO (DMLRO) for Lancashire County Council is designated as P.Walker, Senior Investigator, who is authorised to deputise for the MLRO. The MLRO delegates responsibility for receiving, reviewing and reporting on suspected money laundering to the DMLRO. The MLRO and DMLRO can be contacted at MLRO@lancashire.gov.uk
- 4.2 The DMLRO will report monthly to the MLRO in relation to the money laundering landscape across the council and the MLRO will report annually to the Audit, Risk and Governance Committee on this matter if applicable.



5. Reporting to the MLRO

- 5.1 Any employee who suspects money laundering activity is taking place must report/disclose this promptly in line with this policy. This includes when an employee becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation.
- 5.2 The disclosure should be made using the proforma attached as **Appendix C**. As much detail as possible should be included in the report. This must be emailed to MLRO@Lancashire.gov.uk.
- 5.3 The employee **MUST** follow any subsequent directions from the MLRO/DMLRO and must **NOT** make any further enquiries themselves into the matter. It is important the employee takes no further steps in the transaction without authorisation from the MLRO/DMLRO. The MLRO/DMLRO may need to obtain consent from the National Crime Agency (NCA) before the transaction can proceed. If an employee was to allow the transaction to proceed without the MLRO/DMLRO authorisation, then the employee would be in breach of the legislation.
- 5.4 The employee must not disclose or otherwise indicate their suspicions to the person(s) suspected of money laundering. They must not discuss the matter with others. They should refrain from putting any form of notes on a file that a report has been made as this could result in the suspect becoming aware of the concern. Please remember this could constitute the offence of tipping off.

6. Responsibility of MLRO/DMLRO

- 6.1 The DMLRO will acknowledge receipt of the disclosure and will promptly evaluate the information to determine whether it is appropriate to report it to the National Crime Agency. The DMLRO will also provide you with a predicted timescale for a response to your disclosure.
- 6.2 The DMLRO will consider the report and other available internal material deemed relevant for example:
 - Reviewing other transaction patterns and volumes
 - The length of any business relationship involved
 - The number of any on-off transactions and linked one off transactions
 - Any identification evidence held
- 6.3 The DMLRO will undertake such other reasonable enquiries they think is appropriate in order to ensure that all available information is considered when deciding whether a report to the



National Crime Agency (NCA) is required. The DMLRO may also need to discuss the report with you for further information.

- 6.4 Once the DMLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:
- There is actual or suspected money laundering taking place;
 - There are reasonable grounds to know or suspect that is the case;
 - They know the identity of the money launderer or the whereabouts of the property involved, or they could be identified or the information may assist in such Identification; and
 - Whether the DMLRO needs to seek consent from the NCA for a particular transaction to proceed.
- 6.5 The DMLRO will promptly report the matter to the NCA through the NCA website if they have concluded it meets the criteria of submitting a Suspicious Activity Report (SAR). The DMLRO is registered with the NCA and will log-in to submit any report themselves. This is likely to be done in liaison with the person raising the concern.
- 6.6 When the DMLRO concludes that there are no reasonable grounds to suspect money laundering then consent will be given for any ongoing or imminent transactions to proceed. The reasons will be recorded on the AML log and disclosure form.
- 6.7 All disclosure reports referred to the MLRO/DMLRO and reports made to the NCA by the DMLRO will be stored in a confidential file kept for that purpose for a minimum of 6 years.
- 6.8 If the DMLRO concludes that a matter meets the criteria of submitting a SAR, the DMLRO must disclose the matter as soon as practicable to the NCA unless they have a reasonable excuse for non-disclosure to the national crime agency (e.g., if you are a lawyer and wish to claim legal professional privilege for not disclosing the information).
- 6.9 In such a scenario where a solicitor is claiming legal professional privilege (LPP), a joint decision will be made between the MLRO/DMLRO and the solicitor to agree if the LPP exemption applies. In the very unlikely event a consensus decision is not met. The MLRO/DMLRO will consult with the Director of Corporate Services to confirm if it is their view that LPP applies to the solicitor's actions. The Director of Corporate Services reserves the right to seek external legal advice on the matter if they so wish. The Director of Corporate



Services should decide in a timely manner. If they determine LPP applies, then the MLRO/DMLRO will not report the matter to the NCA.

6.10 Where consent is required from the NCA for a transaction to proceed (and 6.8 does not apply), then the transactions in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.

6.11 The MLRO/DMLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him:

- That another person is engaged in money laundering of whom he knows the identity,
- The whereabouts of laundered property in consequence of the disclosure, that the person or property's whereabouts can be identified from that information,
- He believes, or it is reasonable to expect him to believe, that the information will or may assist in such identification and he does not disclose this as soon as practicable to the NCA (unless an exemption applies as per 6.8)

7. Customer due diligence

7.1 When the council is carrying out certain regulated business (accountancy, and legal services re financial, company or property transactions) and as part of this,

- a) Forms an ongoing business relationship with a client; or
- b) Undertakes a one-off or occasional transaction amounting to €15,000 or more whether carried out as a single transaction or several linked ones; or
- c) Suspects money laundering or terrorist financing; or
- d) Doubts the veracity or adequacy of information previously obtained for the purposes of client identification or verification.

7.2 Then the customer due diligence procedure must be followed before any business or transaction is undertaken for that client. This is covered in regulations 27-38 of the MLR 2017.

7.3 Customer due diligence means:

- Identifying the client/customer and verifying their identity based on documents, data, or information obtained from a reliable and independent source (e.g. conducting a search at companies house);



- Identifying the beneficial owner (where he/she or it is not the client) so that you are satisfied that you know who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement; and
- Obtaining information on the purpose and intended nature of the business relationship.

7.4 Customer due diligence, including record keeping requirements, is set out in the following hyperlinks and relates to all customers:

- [Your responsibilities under money laundering supervision - GOV.UK \(www.gov.uk\)](https://www.gov.uk)
- [Quick guide to the Money Laundering Regulations 2017 | The Law Society](#)

Please note that unlike the reporting procedure, the customer due diligence procedure is restricted to those employees undertaking relevant business.

7.5 In the above circumstances, employees in the relevant services of the council must obtain satisfactory evidence of the identity of the prospective customer/client, and full details of the purpose and intended nature of the relationship/transaction, as soon as practicable after instructions are received.

7.6 There is also now an ongoing legal obligation to check the identity of existing clients and the nature and purpose of the business relationship with them at appropriate times. The opportunity should also be taken at times to scrutinise the transactions undertaken throughout the course of the relationship (including, where necessary, the source of the funds) to ensure they are consistent with your knowledge of the client, its business and risk profile. Particular scrutiny should be given to the following:

- a) complex or unusually large transactions;
- b) unusual patterns of transactions which have no apparent economic or visible lawful purpose; and
- c) any other activity likely by its nature to be related to money laundering or terrorist financing.

7.7 Once instructions to provide relevant business have been received, and it has been established that Paragraph 7.1 above applies or it is otherwise an appropriate time to apply due diligence measures to an existing client, evidence of identity and information about the nature of the work should be obtained/checked as follows.

8. Internal Clients

8.1 Under the legislation there is no need to apply customer due diligence (CDD) measures where the client is a UK public authority. So internal clients of Lancashire County Council do



not fall into the scope of these measures. If the client is not wholly owned by Lancashire County Council, the identity of the other party who has interests should continue to be checked.

- 8.2 Appropriate evidence of identity will be placed on the council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.
- 8.3 If there is any ambiguity around the need for CDD a decision can be made on a case-by-case basis by consulting with the DMLRO.

9. External clients

- 9.1 When the council provides regulated business services to another UK public authorities, there is no need to apply customer due diligence measures. However, again as a matter of good practice, identity of external clients should be checked.
- 9.2 Appropriate evidence of identity will be placed on the council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.
- 9.3 With instructions from new clients, or further instructions from a client not well known to you, you may wish to seek additional evidence of the identity of key individuals in the organisation and of the organisation itself.

10. Simplified due diligence

- 10.1 Simplified due diligence is the lowest level of due diligence that can be completed on a customer. This is appropriate where there is little opportunity or risk of your services or customer becoming involved in money laundering or terrorist financing.
- 10.2 Where a customer is low risk (occupation; organisation; country; method of transacting; transaction value etc.) then simplified due diligence can be completed. Identity must still be confirmed but the ongoing requirements may be relaxed unless a change in circumstances occurs.

11. Enhanced customer due diligence and ongoing monitoring

- 11.1 It will, in certain circumstances, be necessary to undertake what is known in the regulations as enhanced customer due diligence. In summary, this will be necessary where:
- The customer has not been physically present for identification purposes; or



- The customer is a politically exposed person, typically, a non UK or domestic member of parliament, head of state or government, or government minister and their family members and known close associates
- There is a beneficial owner who is not the customer – a beneficial owner is any individual who: holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.
- When you enter into a transaction with a person from a high risk third country identified by the EU [Register of Commission Documents - C\(2016\)4180 \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2016/4180/oj)
- In any other situation which, by its nature, can present a higher risk of money laundering or terrorist funding.

11.2 Where this applies, the council will need to take adequate measures to compensate for the higher risk.

11.3 MLR 2019 prescribes what is required at a minimum. When enhanced due diligence is performed, it must always involve:

- a) Obtaining additional information on the customer and on the customer's beneficial owner
- b) Obtaining additional information on the intended nature of the business relationship
- c) Obtaining information on the source of funds and source of wealth of the customer and of the customer's beneficial owner
- d) Obtaining information on the reasons for the transactions
- e) Obtaining the approval of senior management for establishing or continuing the business relationship
- f) Conducting enhanced monitoring of the business relationship by increasing the number and timing of controls applied and selecting patterns of transactions that need further examination.

11.4 If, because of customer due diligence checks, there are any discrepancies identified when compared with the information held in the Companies House register, then this must be reported to Companies House.

12. Red flag indicators

12.1 Red flags is the term used to describe individual factors set by the council that indicates a higher risk of money laundering or terrorist financing. These should act as a warning that further investigation is necessary. **Appendix D** sets out examples of 'red flag indicators'



12.2 Red flags should be used at all stages of compliance, from customer acceptance to exiting the relationship. Red flags fall into different categories but are usually centred around client behaviours or issues around the Authority, its finance, beneficiaries or trading connections to high-risk individuals or jurisdictions.

13. Record keeping

13.1 Each area conducting relevant business must maintain records of:

- Client identification evidence obtained
- Details of all relevant business transactions carried out for clients

13.2 For at least five years. This is to meet the requirements of the MLR 2017 and may be used as evidence in any subsequent investigation/inspection by the relevant supervising body. Any record keeping should be in line with GDPR and the originating department's Privacy Statement.

13.3 In practice each area will be routinely making records of work carried out during normal business and these should suffice in this regard.

13.4 Each area of the council conducting regulated business must monitor, on an ongoing basis, their business relationships in terms of scrutinising transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure that the transactions are consistent with their knowledge of the client, its business and risk profile.

13.5 Individuals carrying out due diligence checks must retain the identification evidence and details of the relevant transaction(s) for that client for at least five years.

13.6 The DMLRO will keep a record of all referrals received and any action taken to ensure an audit trail is maintained.

14. Training and staff awareness

14.1 The council will take appropriate measures to ensure that all employees are made aware of the law relating to money laundering and will arrange targeted, ongoing training to key individuals most likely to be affected by the legislation.

14.2 It is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. The key requirement on employees is to promptly report any suspected money laundering activity to the DMLRO.



15. Risk management and internal control

15.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. The adequacy and effectiveness of, promotion of, and compliance by employees with, the documentation and procedures will also be monitored through the county council’s corporate governance and anti-fraud policy frameworks.

15.2 This policy has been written so as to enable the council to meet the legal requirements in a way which is proportionate to the risk of the council of contravening the legislation.

15.3 The MLRO and the DMLRO will periodically review the risk to the county council of contravening the anti-money laundering legislation. The adequacy and effectiveness of the anti-money laundering policy will be reviewed after such assessments.

15.4 Should you have any concerns generally or about specific transactions then you should contact the MLRO or the DMLRO.

16. Version Control

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Version Number:	1.0
Date Of Creation:	November 2021
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Next Scheduled Review:	September 2023
Overview of Amendments to this Version:	



Appendix A

OFFENCES TABLE Section Ref	Type of Offence	Definition
S327 Proceeds of Crime Act 2002	Money laundering Offence Concealing Criminal Property	A person commits an offence if they conceal, disguise, convert or transfer criminal property or if they remove criminal property from England, Wales, Scotland or Northern Ireland. This is punishable by a maximum term of imprisonment of 14 years and an unlimited fine. At the Magistrates Court it is 6 months and £5,000 fine
S328 Proceeds of Crime Act 2002	Money laundering Offence Acquisition, Use and Possession.	This offence is committed by anyone that has criminal proceeds in their possession provided they know or suspect that it represents the proceeds of a crime unless they paid 'adequate consideration' for it. Someone who pays less than the open market value is therefore guilty of the offence but someone who pays the full retail price, despite knowing or suspecting they were stolen goods is not guilty. The punishment is as per S327.
S329 Proceeds of Crime Act 2002	Money laundering Offence Acquisition, Use and Possession.	This offence is committed by anyone that has criminal proceeds in their possession provided they know or suspect that it represents the proceeds of a crime unless they paid 'adequate consideration' for it. Someone who pays less than the open market value is therefore guilty of the offence but someone who pays the full retail price, despite knowing or suspecting they are stolen goods is not guilty. The punishment is as per S327.
S330 Proceeds of Crime Act 2002	Failure to Disclose Offence: Regulated Sector	This offence is committed by an employee of a business in the regulated sector who has knowledge or suspicion of another person's involvement



		<p>in money laundering and does not make a report through the appropriate channels.</p> <p>Negligence is not a defence as the employee will be tried upon what they should have known given their experience, knowledge and training.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>
S331 Proceeds of Crime Act 2002	Failure to Disclose Offence: Nominated Officers in the Regulated Sector	<p>This offence is committed by a nominated officer (MLRO) of a business in the regulated sector who has knowledge or suspicion of another person's involvement in money laundering and does not make a report through the appropriate channels without an acceptable excuse under the legislation.</p> <p>Negligence is not a defence as the nominated officer will be tried upon what they should have known given their experience, knowledge and training.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>
S332 Proceeds of Crime Act 2002	Failure to Disclose Offence: Other Nominated Officers	<p>This offence is committed by a nominated officer (MLRO) of a business outside of the regulated sector who has knowledge or suspicion of another person's involvement in money laundering and does not make a report through the appropriate channels without an acceptable excuse under the legislation. The officer will be tried on what they knew or suspected not on what they might have been expected to know or suspect.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>
S333 Proceeds of Crime Act 2002	Tipping Off Offence	<p>This offence is committed if an employee or Member makes a disclosure which is likely to prejudice an investigation</p>



		<p>being carried out by a law enforcing authority, knowing that such an investigation is in motion.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>
<p>Reg 86 Money laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017</p>	<p>Contravening a relevant requirement</p>	<p>A person commits an offence if they have not followed any relevant guidance issued by the European Supervisory Authorities, Financial Conduct Authority or any other relevant supervisory authority approved by the Treasury.</p> <p>This is punishable by a maximum term of imprisonment of 2 years at the Crown Court, a fine, or both. At the Magistrates Court a term of three months, a fine, or both.</p>
<p>Reg 87 Money laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017</p>	<p>Prejudicing an investigation</p>	<p>This offence is committed when a person who knows or suspects that an appropriate officer is acting (or proposing to act) in connection with an investigation into potential contravention of a relevant requirement which is being or is about to be conducted. The offence is committed if either they make a disclosure which is likely to prejudice the investigation or they falsely, conceal, destroy or otherwise dispose of, or cause to permit the falsification, concealment, destruction or disposal of, documents which are relevant to the investigation.</p> <p>The punishment is as for Reg. 86 above</p>
<p>Reg 88 Money laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017</p>	<p>Providing false or misleading information</p>	<p>There are two separate offences under regulation 88.</p> <p>Under regulation 88(1) a person commits an offence if:</p> <ol style="list-style-type: none"> 1. In purported compliance with a requirement imposed on him by or under the MLR 2017, provides information which is false or misleading in a material particular and knows that the information is false or misleading; or



		<p>2. Is reckless as to whether the information is false or misleading. In respect of both offences.</p> <p>The punishment is the same as Regs 86 and 87 above</p>
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Appendix B

Possible signs of money laundering:

Types of risk factors which may, either alone or along with other factors suggest the possibility of money laundering activity:

General

- A new customer with no previous 'history' with the council.
- A secretive customer: for example, one who refuses to provide requested information without a reasonable explanation.
- Concerns about the honesty, integrity, identity of a customer.
- Illogical third-party transactions: for example, unnecessary routing or receipt of funds from third parties or through third party accounts.
- Involvement of an unconnected third party without logical reason or explanation.
- Payment of a substantial sum in cash (but it's reasonable to be suspicious of any cash payments particularly those over £1,000).
- Overpayments by a customer.
- Absence of an obvious legitimate source of the funds.
- Movement of funds to/from overseas, particularly to and from a higher risk country.
- Where, without reasonable explanation, the size, nature and frequency of transactions or instructions is out of line with normal expectations.
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational.
- Cancellation or reversal of an earlier transaction.
- Requests for release of customer account details other than in the normal course of business.
- Poor business records or internal accounting controls.
- A previous transaction for the same customer which has been, or should have been, reported to the DMLRO.

Property Matters

- Unusual property investment transactions with no apparent investment purpose;
- Instructions to receive and pay out money where there is no linked substantive property transaction involved (surrogate banking);
- Regarding property transactions, funds received for deposits or prior to completion from an unexpected source or where instructions are given for settlement funds to be paid to an unexpected destination.



The following table sets out the types of activities that might be suspicious and where the council may be susceptible to money laundering activities. It is not intended to be exhaustive, and just because something is not on the list, it doesn't mean that it shouldn't be reported.

ACTIVITY	The types of activity that may be affected
New customers with high value transactions	<ul style="list-style-type: none"> - Selling property to individuals or businesses - Renting out property to individuals or businesses - Entering into other lease agreements - Undertaking services for other organisations
Secretive clients	<ul style="list-style-type: none"> - People buying or renting property from the council who may not want to say what it is for - People receiving grant funding who refuse to demonstrate what funding was used for
Customers who we think are acting dishonestly or illegally	<ul style="list-style-type: none"> - People paying for council services who do not provide details about themselves - People making odd or unusual requests for payment arrangements Illogical transactions <ul style="list-style-type: none"> • People paying in cash then requesting refunds - Requests for the council to pay seemingly unconnected third parties in respect of goods / services provided to the council - Requests for the council to pay foreign currencies for no apparent reason - Payments of substantial sums by cash - Large debt arrears paid in cash - Refunding overpayments - Deposits / payments for property
Payments of substantial sums by cash	Large debt arrears paid in cash <ul style="list-style-type: none"> - Refunding overpayments - Deposits / payments for property
Movement of funds overseas	Requests to pay monies overseas, potentially for "tax purposes"
Cancellation of earlier transactions	<ul style="list-style-type: none"> - Third party "refunds" grant payment as no longer needed / used - No payment demanded even though goods / services have been provided - Sudden and unexpected termination of lease agreements



Requests for client account details outside normal course of business	<ul style="list-style-type: none"> - Queries from other companies regarding legitimacy of customers - council receiving correspondence /information on behalf of other companies
Extensive and overcomplicated client business structures /arrangements	<ul style="list-style-type: none"> - Requests to pay third parties in respect of goods / services - Receipt of business payments (rent,) in settlement from seemingly unconnected third parties
Poor accounting records and internal financial control	<ul style="list-style-type: none"> - Requests for grant funding / business support indicates third party not supported by financial information - Companies tendering for contracts unable to provide proper financial information / information provided raises concerns - Tender for a contract which is suspiciously low
Unusual property investment or transactions	<ul style="list-style-type: none"> - Requests to purchase council assets / land with no apparent purpose - Requests to rent council property with no apparent business motive
Overcomplicated legal arrangements / multiple solicitors	Property transactions where the council is dealing with several different parties



Appendix C

Red Flag Indicators of potential money laundering

Red flag indicators **should always** prompt you to raise questions in your mind and these should prompt you to make further enquiries. Please note this is not an exhaustive list.

The answers (or failure to answer) will either dispel the original suspicion that something may not be quite right or reinforce that suspicion or highlight new areas for investigation.

Customer / Client Behaviour

When risk assessing a client, there are some red flag behaviours that should raise questions in your mind and cause you to make further enquiry. These include:

- avoiding personal contact without good reason.
- changing agent or legal advisor a number of times without apparent reason.
- using an advisor geographically distant from himself or the location of the transaction over using an advisor closer to the transaction.
- requesting or seeking to push the speed of the transaction.
- attempting to disguise the true owner or proprietary interests of the business or the parties to the transaction.
- the client is known to have convictions for acquisitive crime or criminal connections.
- the client informs you that funds are coming from one source and then at the last minute the source changes.

Source or Amount of Finance

The source of finance does not make sense, including:

- use of disproportionate amount of cash.
- funds sent to and from jurisdictions with a high level of banking secrecy.
- a significant amount of private funding from an individual running a cash-intensive business.
- the involvement of a third party without an apparent connection to the business or without a full explanation for their participation.
- funding which is inconsistent with the socio-economic profile of the individuals involved.
- a 100% cash deal.
- structured payments below money laundering thresholds.



The Business

Red flags include:

- the ownership structure is overly complicated when there is no legitimate or economic reason.
- business transactions involve countries where there is a high risk of money laundering and / or the funding of terrorism.
- false or suspicious documents are used to back-up transactions.
- the level of activity is not consistent with the firm's understanding of the client's business or level of legitimate income.
- a failure to produce adequate paperwork detailing the business and its formation.
- a history of aborted transactions.
- unverifiable information produced.



APPENDIX D – Proforma Disclosure Report

CONFIDENTIAL: Report to Money laundering Reporting Officer	
Name	
Title / Department / Directorate	
Phone number	
Email	
Details of Suspected Offence	
Names and addresses of the persons involved (if a company, the nature of their business)	
Nature, value, timing of activity	
Nature of suspicions	
Signed and dated (type name and date)	
For Completion by the DMLRO	
Date received	
Are there reasonable grounds for suspecting money laundering?	
If yes, confirm date of report to NCA	
Unique NCA case reference number	
Date consent given to employee for transaction to proceed (if applicable)	
Signed and dated	
Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.	





Audit, Risk and Governance Committee
Meeting to be held on Monday, 17 October 2022

Electoral Division affected:
(All Divisions);

Corporate Risk and Opportunity Register - Quarter 2 Update 2022/23
(Appendices 'A' and 'B' refer)

Contact for further information:
Paul Bond, Tel: 01772 534676, Head of Legal, Governance and Registration Services,
paul.bond@lancashire.gov.uk

Brief Summary

This report provides an updated (Quarter 2 2022/23) Corporate Risk and Opportunity Register for the committee to consider and comment on. The register has been refreshed to reflect the council's current operating environment and is presented to this committee to provide a progress update and assurance that the current risk management arrangements are both robust and effective. The register is also reported quarterly to Cabinet as part of the Performance Report.

The Corporate Risk and Opportunity Register is attached at Appendix A. The risk entry for Cyber Security contains private and confidential information and is provided at Appendix B and included in Part II of the agenda.

Recommendation

The Audit, Risk and Governance Committee is asked to note the updated Corporate Risk and Opportunity Register.

Detail

In line with the council's Risk Management Framework, Directorate Senior Management Teams and the Executive Management Team review and update both service registers and the Corporate Risk and Opportunity Register, taking account of the current and predicted future internal and external environment in which the county council and its strategic partners operate. As a result, there have been several changes to the corporate register. These are set out below.

- The risk Reshaping the County Council has been removed and replaced by two new risks – one focussing on Financial Sustainability and the other on Our Improvement Journey. The risk on financial sustainability reflects the current operating environment and is now linked to delivering the corporate strategy and

the four corporate priorities. It incorporates several new causes such as rising inflation, increasing demand, impact of the adult social care funding reforms etc. and highlights the current funding gap and future financial uncertainty. It also incorporates the previous corporate risk on capital investment pressures (which has been removed). It has a risk score of 20 and a target risk score of 16 to reflect the fact that, at this point whilst we are aware of the issues, we are still in the process of developing a plan to mitigate the budget shortfall. This is reflected in the red RAG rating for the target risk confidence.

The new risk relating to Our Improvement Journey was previously part of the Reshaping the County Council risk and has been updated to include further commentary in relation to our approach to commercialisation.

The other two elements of the Reshaping the County Council risk – 'Improved partnership working' and 'a new county council' – were added to the register after the election of the new administration in May 2021. However, given the positive progress in both areas these risks have been removed.

- A new risk on Workforce Recruitment and Retention has been added. This focusses on the Human Resources aspects of the risk as well as incorporating the service issues and consequences, together with the mitigating actions being implemented. This has a risk score of 16 and a target score of 12. This acknowledges that whilst this is a major risk, we are proactively working to mitigate it in the short to medium term. However, given the breadth of the risk across services it is RAG rated red.
- The risk Demand Impact on Community and Services has been renamed Demand for Services and the risk confidence level (RAG rating) has changed from amber to red. The risk has been updated to incorporate causes such as rising inflation, economic uncertainty and rising fuel costs etc.
- The target risk score for the school places risk has reduced from 12 to 8.
- The risk relating to ICT (Oracle/data/core systems) has been removed together with the risk relating to counter terrorism. These two risks will be managed at an operational level via the Resources Board.

Given the above, the Corporate Risk and Opportunity Register now has the following entries:

- Financial Sustainability (Corp 1)
- Workforce Recruitment and Retention (Corp 2)
- Demand for Services (Corp 3)
- Our Improvement Journey (Corp 4)
- Social Care Reform (Corp 5)
- School Places (Corp 6)
- Cyber Security (Corp 7)
- New Ways of Working (ASC/PH) (CO 1)
- Environmental Improvements (CO 2)
- Sub-Regional place Leadership and Governance (CO 3)

The updated register is set out at Appendices A and B.

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.

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

Appendix B to this report is included in Part II of the agenda because it contains exempt information, as defined in Paragraph 7 of Part 1 of Schedule 12A to the Local Government Act, 1972:

- Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.



Lancashire County Council Corporate Risk and Opportunity Register 2022/23 Q2


Risk ID	Corp 1	Title: Financial Sustainability	Current risk score: 20	Target Risk Score: 16	
Risk Description		Risk Consequences	Risk Owner	Current Likelihood	Current Impact
<p>Failure to deliver a sustainable financial strategy that supports the delivery of the corporate strategy and four priorities</p> <p>Causes:</p> <ul style="list-style-type: none"> The current medium term financial strategy indicates a forecast funding gap of £87.054m in 2023/24, an increase of £56.506m on the previously reported position, with the forecast gap rising to £159.678m by 2026/27 Inability to set a balanced budget or deliver services within available resources because of various issues that include economic uncertainty; rising inflation that exceeds budget provision; high demand on care services; lack of certainty over future funding; specific impact of proposals for funding care costs (cap on the lifetime cost of personal care) 		<ul style="list-style-type: none"> Increased overspends in particular services Services become unsustainable and we cannot fulfil our statutory duties because of funding pressures not being met Adverse impact on clients/residents Insufficient reserves Unable to meet savings targets External intervention if the council is unable to deliver a balanced budget in future years Reputational damage The council is unable to support all its capital investment requirements going forward resulting in a focus primarily on reactive works and resultant negative impact on asset condition 	<p>Executive Director of Resources/S151 Officer</p> <p>Target date March 23/Ongoing</p>	4	5
				Target Likelihood	Target Impact
				4	4
				Target Risk Confidence	

<p>Current Controls</p> <ul style="list-style-type: none"> • 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 • 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 • Capital Strategy and capital delivery programme approved annually at Full Council in February 	<p>Control Owner S151 Officer/Director of Finance/Executive Directors</p>
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • 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 2022/23 funding gap • Savings plans have been subject to review as part of the budget monitoring process • Transformation options considered towards meeting future years funding gaps • The capital programme is managed by Capital Board at an officer level to ensure that its development is carried out with due regard to risk management and prudent and sustainable resource management. Alignment with property strategy review with capital work being focused on those buildings likely to remain operational and not surplus to requirements going forward given potential embedding of different working arrangements going forward. • Grant levels confirmed for 2022/23 and projects / schemes they will support being agreed and the agreed delivery programme for 22/23 also being reviewed to reflect the impact of slippage / earlier than planned delivery in the final quarter of 2021/22. 	<p>Mitigation Owner S151 Officer/Director of Finance/Executive Directors</p>

- Additional capital requirements for 2023/24 to be provided by services before the end of July for consideration by CMT / Cabinet as part of the 2023/24 budget process.

Progress:

- Overall, the Council has an appropriate level of reserves available to manage the financial risks it is facing from 2022/23 to 2024/25. However, 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. A further significant factor is in relation to savings delivery, as in the region of c£15m of agreed 2021/22 savings must now be delivered in 2022/23, in addition to savings that have already been agreed to be delivered in future years as part of their agreed profile, with the total value of agreed savings to be delivered by 2024/25 being c£41m
- Capital Board meets fortnightly and has senior membership from all key service areas

Risk ID Corp 2		Title: Workforce recruitment and retention		Current risk score: 16 Target Risk Score: 12	
<p>Risk Description Unable to attract and recruit candidates, and retain staff leading to an inability to deliver services</p> <p>Causes:</p> <ul style="list-style-type: none"> • Lack of suitably qualified candidates in the labour market • Non-competitive pay rates • Unattractive terms and conditions • Retention policies ineffective • Poor workforce planning (including lack of workforce data) with an ageing workforce • Commissioned services and education settings unable to recruit and retain staff 	<p>Risk Consequences</p> <ul style="list-style-type: none"> • Reduced capacity and skills to deliver key roles and council priorities leading to increased waiting times and delays for people in need of support • Potential skills gap and deterioration in service delivery through loss of experienced staff and age profile of workforce • Unable to deliver statutory services and services in key areas • Adverse impact on clients/residents/businesses • High vacancy rates • High use of agency staffing • Pressure to increase market rates • Weaknesses in approach to workforce planning • Reputational damage • Increased demands and pressures on remaining staff leading to morale issues • Commissioned services and education settings fail 	<p>Risk Owner Executive Directors</p> <p>Target date March 23</p>	<p>Current Likelihood 4</p> <p>Target Likelihood 3</p> <p>Target Risk Confidence </p>	<p>Current Impact 4</p> <p>Target Impact 4</p>	
<p>Current Controls</p> <ul style="list-style-type: none"> • Performance management dashboards established to collate and analyse workforce data • Governance structure identified to manage and lead the workforce performance & strategy (ASC) • Education and Children's Services Workforce Strategy agreed April 2022 • Corporate workforce group to facilitate joint solutions with directorate SMTs • Developing talent acquisition team and recruitment support • Commission recruitment consultants for some roles 		<p>Control Owner Executive Directors</p>			

- Skills and development opportunities
- Performance engagement
- Social work academy
- Additional OT capacity being sought from COMF funding to start July 2022
- Backlog agency in place from April 2022 (Attenti)

Mitigating Actions

- Regular discussions at directorate management teams to understand areas where recruitment and retention is a challenge
- Corporate exercise to identify recruitment and retention issues related to hard to fill posts
- Reviewing structures as appropriate
- In Adult Social Care, regular monitoring and action plans are in place and include:
- ASC Workforce Strategy refresh in progress that includes:
 - Provider Services Recruitment Action Plan
 - Key transformation priorities (LBLiL, Demand Management) will address workforce issues in the immediate & longer term
 - Discissions with HR re international recruitment (pending data analysis)
 - Ensuring the right capacity within our workforce to respond to the demand.
 - Additional capacity being sourced to help clear some of the Occupational Therapy Backlogs
 - Workforce data framework established
 - Performance Management Board established
 - In-house Provider Workforce sub-group established focused on recruitment and retention
- Education and Children's Workforce Strategy established that includes:
 - Strengthening recruitment activity through, for example, clear approach to engagement through social media, virtual open days, engagement with local education partners, promoting LCC as an

Mitigation Owner

Executive Directors

<p>employer of choice, targeted recruitment activity including overseas recruitment</p> <ul style="list-style-type: none"> • Strengthening retention activity through, for example, creating an inclusive and diverse workplace, listening to and responding to employee voice, clear development frameworks and learning opportunities, talent management, manageable caseloads and effective tools for the job 	
<p>Progress:</p> <ul style="list-style-type: none"> • Engagement of an interim Director of People and Culture has been undertaken to help progress the outcomes of the HR/L&D review. The review of HR, Skills, Learning and Development will result in a strategic service offer to support delivery of the council's ambition to have a high performing workforce. This includes embedding workforce planning and developing attraction and retention strategies • Regular discussions at directorate management teams to understand areas where recruitment and retention is a challenge and to put in place/monitor mitigating actions • In terms of key system risks we are proactively engaged with the NHS on workforce issues • Effective succession planning including 'grow your own' initiatives and using the Apprenticeship Levy to address challenges in the medium to long term • Overseas recruitment has resulted in appointment of 37 children's social workers 	

Risk ID Corp 3		Title: Demand for Services		Current risk score: 16	Target Risk Score: 8
<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>Causes:</p> <ul style="list-style-type: none"> • Provider failure • Insufficient funding • As we move into winter, seasonal illnesses such as flu and further Covid 19 peaks could exacerbate this risk • Adverse impact of the rising cost of living, high inflation, and increased cost of energy • Lack of qualified staff <p>See Corp 1 & 2</p>	<p>Risk Consequences</p> <ul style="list-style-type: none"> • Significant financial pressure on the county council • Poor outcomes for those people in receipt of our services • Potential adverse impact on quality-of-service provision as backlogs and waiting times could increase further • Pressure on specific services such as Mental Health which are already under strain • Could result in additional safeguarding alerts • Additional pressures on family and other carers • Pressures on already pressured and fatigued workforce (internal and external) • Could result in strained relationships with key partners such as NHS, VCFS and external market • Potential drift and delay – impact on timeliness of assessments, plans and interventions with children and families • Special Educational Needs & Disability - Insufficient local places to meet needs 	<p>Risk Owner</p> <p>All Directors and Heads of Service within Adult Social Care and Education & Children's Services</p> <p>Target date</p> <p>March 2023</p>	<p>Current Likelihood</p> <p>Likely</p> <p>Target Likelihood</p> <p>Possible</p> <p>Target Risk Confidence</p>	<p>Current Impact</p> <p>Major</p> <p>Target Impact</p> <p>Minor</p>	
<p>Current Controls</p> <p>Adult Social Care</p> <ul style="list-style-type: none"> • Working with the NHS locally to model capacity, agree plans and procedures (particular focus on Continuing Health Care (CHC), system resilience and hospital discharge), financial flows and workforce requirements • Designated leads in LCC to ensure oversight, performance, and assurance 		<p>Control Owner</p> <p>All Directors and Heads of Service within Adult Social Care and Education & Children's Services</p>			

<ul style="list-style-type: none"> • Incomplete CHC Referrals Board in place – meets weekly to review progress/address issues • ICS CHC recovery group in operation, with reporting lines upwards • Quality Improvement Strategy in development • Additional Agency staff maintained from April 2022 from temporary Covid grant (COMF) • Additional Occupational Therapy (OT) capacity in place with COMF funding • Processes and procedures are in place to help manage current demand for Adult Mental Health services • Review of ‘front door’ underway to improve how we work with people when they approach us for services • Assessment backlog Performance Management in place with fortnightly boards and weekly reports • New ASC internal structure and appointment of LCC Exec Director in joint leadership role as Director of Health and Care for Lancashire should result in an improved approach to cross system working to address demand pressures <p>Children's Social Care</p> <ul style="list-style-type: none"> • Clear governance and accountability arrangements in place via the Keeping Children Safe Board • MASH / Demand Management group and Permanence and Children in Our Care group providing oversight of service improvements • Family Safeguarding Board providing leadership and oversight of Family Safeguarding Programme • Range of further activity to manage demand including Family Group Conferencing evaluation funded through pan-Lancs bid, VCFS led model of support pilot in Preston to be extended • 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 <p>SEND</p> <ul style="list-style-type: none"> • SEND Sufficiency Strategy agreed by Cabinet January 2020 • Alternative Provision Strategy agreed by Cabinet October 2021 • Delivery plans established 	
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • CHC: Ongoing discussions and working group in progress at ICS level 	<p>Mitigation Owner</p>

<ul style="list-style-type: none"> • New practice focussed project Living Better Lives in Lancashire will fundamentally change the approach and ways of working particularly around current front-line assessment and determination of services (see ASC 8 below) • Undertaking an evaluation in terms of demand and capacity to ensure we have the right capacity within our workforce to respond to the demand. • Additional capacity sourced to help clear some of the Occupational Therapy Backlogs • Working closely with providers to review capacity in the domiciliary care sector and how to improve this which will include the prioritisation of care delivery to the most vulnerable people and key/essential tasks. • Winter resilience planning in progress in collaboration with the NHS • Review of front door will assess how people currently access services and support increase of signposting and use of community assets <p>Children's Social Care</p> <ul style="list-style-type: none"> • Delivery of Early Help Strategy • Delivery of Family Safeguarding • Evaluation of targeted interventions including Family Group Conferencing at pre proceedings, and VCFS model • Where Our Children Live Strategy and Sufficiency Strategy agreed by Cabinet in January 2021 • Deep dive on Placement Costs • Ongoing consideration of Covid impact • 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 <p>SEND</p> <ul style="list-style-type: none"> • Delivery of priorities within the SEND sufficiency strategy • Consulted on Strategy • Ongoing consideration of Covid impact 	<p>As above plus Area and County Managers across directorates</p>
<p>Progress:</p> <ul style="list-style-type: none"> • Ongoing work with organisations across the county to share intelligence and ensure support can be accessed by those who need it most • Launch of Lancashire warm and welcome places scheme 	


- Negotiated an agreed position with NHS in respect of responsibility for funding CHC. NHS have confirmed commitment to pay one off monies in current year in respect of previous/on going cases and will reimburse appropriately going forward.
- In principle decision taken to bring forward the re-procurement of homecare. Reablement and crisis services will also be reprocured next year
- Review of in-house older people's care services and day services is underway
- Discussions in progress with Shared Lives Plus to potentially expand the offer
- Backlog – Performance Board established fortnightly, dashboards in process of validation, and monitor progress
- Front Door – baseline data being completed and draft SLA underway
- "Where Our Children Live" project - delivery plan in development
- Shifted block residential provision to establish more for children and young people with most complex needs. There is a 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
- 'Where our Children Live' capital bid to Department for Education was successful and plans to implement developed
- Avoidance of high-cost placements workstream being established through Where Our Children Live project
- Consideration of further bid to DfE for children's home capital funding
- SEND Sufficiency Strategy agreed by Cabinet
- 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.
- SEND Partnership Plan agreed
- Additional SEN Units being established
- Agreement to establish new SEN provision in North of County

Risk ID Corp 4		Our Improvement Journey		Current risk score: 16	Target Risk Score: 9
<p>Risk Description</p> <ul style="list-style-type: none"> 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 <p>Causes:</p> <ul style="list-style-type: none"> Inability to secure sufficient resource (capacity) across the organisation to deliver on some areas of the Improvement Journey due to competing priorities Not having a joined up, cohesive, corporate wide LCC change programme with EMT oversight and appropriately allocated resources. Multiple front doors with multiple gatekeepers to initiate change leading to: <ul style="list-style-type: none"> A lack of strategic prioritisation, sequencing and link to corporate objectives Too many competing asks Silo working approach Inconsistent approach to prioritisation and delivery of change projects 	<p>Risk Consequences</p> <p>Insufficient Capacity</p> <ul style="list-style-type: none"> Inability to deliver full programme of staff and customer experience improvement Inability to identify improvement opportunities that could contribute to service efficiencies / improved outcomes <p>Change programme</p> <ul style="list-style-type: none"> Priority change activities are not happening as quickly as they could/should, and consequently, the benefits for citizens/staff are not being realised as soon as they could be. 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. 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. <p>Our ways of working</p> <ul style="list-style-type: none"> Our future workplace model does not optimise the performance of our people, places, processes and technology. We are unable to leverage the best of what is possible today and continuously improve & adapt in response to future challenges. Inability to deliver full programme of staff and customer experience improvement 	<p>Risk Owner</p> <p>Corporate Management Team (EMT)/Director of OD & Change</p> <p>Target date March 2023/Ongoing</p>	<p>Current Likelihood</p> <p>Major (4)</p> <p>Target Likelihood Possible</p> <p>Target Risk Confidence</p> <div style="background-color: #FFD700; width: 50px; height: 20px; margin: 5px 0;"></div>	<p>Current Impact</p> <p>Major (4)</p> <p>Target Impact Moderate</p>	


<p>See Corp 1, 2 & 3</p>	<ul style="list-style-type: none"> • Inability to identify improvement opportunities that could contribute to service efficiencies / improved outcomes <p>Commercialisation</p> <ul style="list-style-type: none"> • We will not achieve our commercialisation vision 			
<p>Current Controls</p> <p>Capacity</p> <ul style="list-style-type: none"> • "Front Door to Change" designed and implemented to support prioritisation & allocation of resource for change across organisation. • Core roles appointed to lead on the major elements (Staff Experience Lead, Customer Experience Lead, Analysis & Design Lead & PM Lead) who will drive and monitor progress against critical elements. • Engagement of an interim Director of People and Culture <p>Change Programme</p> <ul style="list-style-type: none"> • Detailed PMO roadmaps developed with Adults, ECS and PH, and resourcing issues resolved. <p>Our ways of working</p> <ul style="list-style-type: none"> • Improvement Journey priorities aligned with corporate priorities, subject to regular review by Strategic Improvement Board • Staff Experience established, with plan in place for priority outcomes & deliverables for the next 12 months • Values & Behaviours developed and disseminated • Customer Experience SRO and lead appointed • Programme governance: <ul style="list-style-type: none"> ○ Head of Improvement appointed to drive Improvement Journey programme 		<p>Control Owner Director of OD & Change</p>		


<ul style="list-style-type: none"> ○ Corporate Programme Office transferred to Director of OD & Change to support alignment of capacity & focus with agreed strategic & Improvement Journey priorities ● Leadership and management development offer in place and evolving to meet needs of new ways of working ● 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 <p>Commercialisation</p> <ul style="list-style-type: none"> ● Commercialisation blueprint approved by cabinet 	
<p>Mitigating Actions</p> <p>Capacity</p> <ul style="list-style-type: none"> ● Continue to recruit to remaining positions and key matrix roles (including Change Hubs) ● Regular engagement with EMT 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. <p>Change Programme</p> <ul style="list-style-type: none"> ● Develop a joined up, cohesive view of all change activity. ● Support EMT to have greater visibility and discussion on the entire change programme enabling informed strategic decision making from EMT and appropriate resource allocation. ● Agree governance which will allow effective prioritisation and sequencing of change activity at a corporate level. 	<p>Mitigation Owner Director of OD & Change</p>

<p>Our Ways of Working</p> <ul style="list-style-type: none"> • Link values & behaviours to performance & development discussions • Recruit Staff Experience Lead to lead implementation of staff experience programme deliverables • 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 <p>Commercialisation</p> <ul style="list-style-type: none"> • Commercial champions/network in place • Commercial learning programme and business planning framework 		
<p>Progress:</p> <ul style="list-style-type: none"> • The Interim Executive Director of Resources is working with services to develop an integrated business planning and performance framework. • The introduction of a corporate change pan • Develop additional metrics and measures relating to the Staff Experience and Customer Experience workstreams. • Work to develop additional data and analysis skills within Lancashire County Council's workforce is proceeding • A programme of training for Lancashire County Council's staff to develop Agile, Lean and continuous improvement skills has commenced • New data sets will support the next phases of the property review, providing a more accurate and up to date picture of building usage and efficiency 		


Risk ID Corp 5		Title: Social Care Reform		Current risk score: 15		Target Risk Score: 6	
Risk Description Reform of local government and/or the health and social care landscape has the potential to disrupt services, have a significant impact on staff and divert attention away from local efforts to transform and improve services (e.g. Health and Care Bill and White paper on Social Care Reform)	Risk Consequences Lack of clarity regarding roles, governance, accountabilities and working arrangements with the ICS, ICB and Place Based Partnerships together with funding implications for adult social care Potential for increasing staff costs as many services which are 'county wide' may need to be provided on a more local footprint. Potential negative impact on local officer working relationships with partners including health and districts.	Risk Owner ASC leadership in conjunction with CMT and partners Target date March 2023	Current Likelihood Certain Target Likelihood Possible Target Risk Confidence 	Current Impact Moderate Target Impact Minor			
Current Controls <ul style="list-style-type: none"> • Structural change position closely monitored, and messages of reassurance given to staff and partners • ASC leadership feed in to local and national discussions and contribute to corporate business cases for change • A number of the joint/strategic decision-making groups e.g. Adult Social Care & Health Partnership, OOH cell, are being maintained to build on the collaborative ways of working • The impact of the new social care reforms is under consideration 		Control Owner All ASC Directors and HoS					
Mitigating Actions <ul style="list-style-type: none"> • Joint work programmes being agreed between ASC and NHS • Place Based Directors of Integration to have joint accountability to the NHS and Upper Tier Local Authorities • Continue to build strong and effective working relationships with partners in anticipation of any structural reform 		Mitigation Owner As above					

<ul style="list-style-type: none"> • Continue to brief staff and managers of impact of any potential structural changes and take advantage of positive changes that may result 	
<p>Progress:</p> <ul style="list-style-type: none"> • Adult Social Care and Health Partnership Board has agreed a joint work programme and work is progressing • We are exploring the opportunity to create an integrated approach to Commissioning • Also exploring development of Integrated approach to service delivery, in particular the use of LCC residential care to prevent avoidable admissions, and increase support / offer for EMI / EMD • ASC Performance Board established to monitor 	

Risk ID Corp 6		Title: School Places		Current risk score: 12		Target Risk Score: 8	
Risk Description Insufficient school Places meaning children and young people are missing out on education	Risk Consequences <ul style="list-style-type: none"> • Children are put at risk of harm • Children missing out on education • Adverse publicity 	Risk Owner Director of Education and Children's Services Target date March 2023	Current Likelihood Possible (3) Target Likelihood Possible (3) Target Risk Confidence 	Current Impact Major (4) Target Impact Major (4)			
Current Controls <ul style="list-style-type: none"> • School Place Sufficiency Strategy in place • Monitoring of admission preferences key performance indicators • Monitoring of children missing education to identify localities where there are pressures, and proactive work with schools and settings to secure places and provide additional support to secure places for in-year admissions 		Control Owner Director of Education and Children's Services					
Mitigating Actions <ul style="list-style-type: none"> • Working with the Assets Team to ensure that the Directorate is informing and supporting the Implementation of the plans set out in the School Place Sufficiency Strategy 2022-2025 		Mitigation Owner Director of Policy, Commissioning and Children's Health					
Progress: <ul style="list-style-type: none"> • Initial discussions scheduled to identify further opportunities and mitigations • Assets Team undertaking procurement of consultancy support • Consideration of "sufficiency" as part of Education Strategy Programme arrangements to establish whether there are elements that should be run as a formal project supported by Programme Office discussions scheduled to identify further opportunities and mitigations 							


Opportunity ID: CO1		Title: New Ways of Working (ACS&PH)		Current Opp score: 15	Target Opp Score: 20
<p>Opportunity Description</p> <p>The 'lessons learned' from remote working have provided a platform for future ways of working.</p> <p>Improved Partnership working to build better alliances with our partners to deliver improved outcomes for the people of Lancashire.</p>	<p>Opportunity Consequences</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.</p> <p>We will take advantage of technology to improve the way we work and also improve and enhance our service offer.</p> <p>We will use people's skills in a more flexible way and spend less time planning and more time in doing</p> <p>These new ways of working and innovative approaches to service delivery should enable financial savings to be achieved</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 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>Opp Owner</p> <p>ASC leadership</p> <p>Target date</p> <p>March 2023</p>	<p>Current Likelihood</p> <p>Certain</p> <p>Target Likelihood</p> <p>Certain</p> <p>Target Opp Confidence</p> 	<p>Current Impact</p> <p>Moderate</p> <p>Target Impact</p> <p>Major</p>	
<p>Current Controls</p> <ul style="list-style-type: none"> • ASC leadership team continue to seek best practice examples and share learning • Ongoing reviews of services will capture potential financial savings • Discussions with partners continue to focus on more joined up approaches and opportunities to improve outcomes and save money • Front Door Project will focus on introducing training and upskilling to CAS on technology solutions, working with 3rd sector partners and improving knowledge of community assets, working with Digital Gaps. 		<p>Control Owner</p> <p>ASC Directors and HoS</p>			
<p>Progress:</p>		<p>Mitigation Owner</p>			

<ul style="list-style-type: none"> • ASC themed discussion on lessons learned/new ways of working. Seeking to build on the positives achieved through the pandemic. • Ongoing discussions with partners 	As above
Actions to realise: <ul style="list-style-type: none"> • Living Better Lives in Lancashire project will build on new ways of working • Adult Social Care and Health Partnership Board continues to build on benefits of joint working • WAH Risk assessment to be reviewed • Working remotely on Teams guidance developed 	

Opportunity ID: CO2		Title: Environmental Improvements		Current Opportunity score: 6		Target Opportunity Score: 16	
Opportunity Description Environmental Improvements (Air Quality, Noise and Safety) Green Fleet <ul style="list-style-type: none"> • Electric Vehicles (EV) • Ultra Low Emission Vehicles (ULEV) • Alternative Fuels (CNG and Hydrogen) • Lower Emission combustion engines 	Opportunity Consequences <ul style="list-style-type: none"> • Reduce Authorities Carbon Footprint • 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. 	Risk Owner HoS P&IT Target date Ongoing	Current Likelihood 3 Target Likelihood 4 Target Confidence 	Current Impact 2 Target Impact 4			
Progress to date <ul style="list-style-type: none"> • 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). • Looking at Electric Vehicles (EV's) but ranges and charging remain an issue 		Control Owner HoS P&IT Fleet Manager and Property Service					

<ul style="list-style-type: none"> Working group formed with Fleet, Property and D&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. 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. 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. Premises review underway 	
<p>Actions to realise</p> <ul style="list-style-type: none"> Corporate Charging infrastructure for Electric Vehicles We are also undertaking a premises review which will help reduce carbon emissions and identify properties for improvement. We continue to investigate opportunities for carbon reduction in our premises and seek sources of external funding. 	<p>Opportunity Owner Director of Highways & Transport Director of Strategy & Performance</p>

Opportunity ID CO3 – Sub Regional Place Leadership and Governance		Current Opportunity score: 12		Target Opportunity Score: 16	
<p>Opportunity Description</p> <p>There is an opportunity for Lancashire to secure appropriate sub-regional governance, powers and resource to maximise shared outcomes and priorities (e.g. Combined Authority, Elected Mayor, County/Devolution Deal or other appropriate arrangement) through Central Government legislation, negotiation,</p>	<p>Opportunity Consequences</p> <p>At a strategic level, in the absence of a Combined Authority, County/Devolution Deal or other arrangement for Lancashire, failure to secure devolved funding and powers impacts on the ability to achieve Lancashire's target outcomes and priorities to the detriment of residents and businesses. Furthermore, an amplified, stronger and unified voice for other sub-regions around the county, particularly those regions surrounding Lancashire, is likely to compromise Lancashire's ability to</p>	<p>Opp Owner Phil Green</p> <p>Target date Lancashire (collectively all 15 authorities) to adopt the 'Lancashire 2050' Strategy and further to</p>	<p>Current Likelihood Likely (4)</p> <p>Target Likelihood Possible (3)</p>	<p>Current Impact Major (4)</p> <p>Target Impact Major (4)</p>	

<p>Local Government Reorganisation or other mechanism.</p>	<p>present its case and advocate for its residents and businesses with the same level of authority/influence.</p>	<p>Levelling Up White Paper agree a new governance model and commence negotiations with Gov't on County Deal by April 2023.</p>	<p>Target Opp Confidence</p> 	
<p>Current Controls</p> <ul style="list-style-type: none"> • (Previously) engaged specialised consultants advising on approach and submitted outline business case for change to Government. Leaders agreed principles of establishing a Lancashire strategic plan. • (2021/22) Aligned to introduction of County Deals, Lancashire councils agreed the principle of establishing a strategic plan, a governance model and the scope of a potential county deal to inform negotiations with Government. • (Feb/March 2022) Following publication of Levelling Up White Paper and devolution framework, Leaders have agreed to seek a dialogue with Government on county deal/governance and to commence work on Lancashire 2050. 		<p>Control Owner</p> <p>Director of Growth, Environment & Planning</p>		
<p>Mitigating Actions</p> <ul style="list-style-type: none"> • Reviewing new Government policy and statements on levelling up, devolution/county deals and local government reorganisation and continued lobbying • Aligning to and responding to Levelling Up White Paper (including the twelve 'missions' and devolution framework) • Continue with preparation and development of the scope of a potential County Deal including through the application of the recently concluded evidence base and emerging evidence. • Support Lancashire Leaders to strengthen governance and engage with Government with a unified voice. • Building strategic capacity and resource to develop and deliver new strategic and policy framework including operational governance and theme groups. 		<p>Mitigation Owner</p> <p>Director of Growth, Environment & Planning</p>		
<p>Progress: The Government has re-emphasised its commitment to devolution through the Levelling Up White Paper. Work on Lancashire 2050, governance and scope continues through</p>				

regular meetings of Lancashire Leaders. Leaders await a response from Government with regard to further engagement on county deal.

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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
IMPACT	MINOR	2	4	6	8	10
	INSIGNIFICANT	1	2	3	4	5
		RARE	UNLIKELY	POSSIBLE	LIKELY	CERTAIN
			LIKELIHOOD			

Agenda Item 12

(NOT FOR PUBLICATION: By virtue of paragraph(s) 7 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

Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 7 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

Agenda Item 13

(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)

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Agenda Item 14

(NOT FOR PUBLICATION: By virtue of paragraph(s) 7 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)

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Appendix A

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Document is Restricted

Appendix B

(NOT FOR PUBLICATION: By virtue of paragraph(s) 7 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)

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Appendix C

(NOT FOR PUBLICATION: By virtue of paragraph(s) 7 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)

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