

Lancashire County Council

Audit, Risk and Governance Committee

**Minutes of the Meeting held on Monday 22nd July 2024 at 2.00 pm in
Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

Present:

County Councillor Alan Schofield (Chair)

County Councillors

J R Singleton JP	C Edwards
N Aziz	J Shedwick
J Berry	A Whittaker
J Couperthwaite	

1. Apologies

None.

2. Constitution, Membership and Terms of Reference

The committee considered a report detailing the membership, Chairmanship and Terms of Reference for the 2024/25 municipal year. The report also provided a review by officers of the Local Government Association's "Ten questions for audit committees" and the proposed process for the appointment of an independent co-opted member to the committee.

The Chair highlighted the importance of the Audit, Risk and Governance Committee's independence in fulfilling its role and thanked officers for their comprehensive review of the committee's terms of reference with regard to the LGA's "Ten questions for audit committees".

Following a period of discussion on the appointment of an independent co-opted member, it was agreed that:

- The word "significant" should be removed from paragraph (g) of the role's restrictions on eligibility, so that the independent co-opted member would not have any business dealings with the council; and
- The restriction on political party membership should remain, to ensure the co-opted member's independence. It was noted that a similar restriction applied to the council's Independent Persons on conduct matters.

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 2024-25 municipal year be noted;
- ii) The membership of the committee, following the county council's Annual Meeting held 23 May 2024, be noted;
- iii) The Audit, Risk and Governance Committee's Terms of Reference be noted;
- iv) Officers' review of the Local Government Association's "Ten questions for audit committees" be noted and commended;
- v) An Appointments Sub-Committee, to manage and oversee the recruitment of an independent co-opted member to the Audit, Risk and Governance Committee, be established as set out in the report;
- vi) The Appointments Sub-Committee be authorised to determine the job specification and recruitment timeline, consider and shortlist applications, and carry out interviews for the role of independent co-opted member to the Audit, Risk and Governance Committee; and
- vii) The Appointments Sub-Committee's recommendation be presented to the Audit, Risk and Governance Committee's next meeting on 14 October 2024.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

None.

4. Minutes of the Meeting held on 22 April 2024

Resolved: That the minutes of the Audit, Risk and Governance Committee meeting held on 22 April 2024 be confirmed as an accurate record.

5. Treasury Management Activity 2023/24

Mike Jensen, Director of Investment presented a report which provided a review of the council's treasury management activities during 2023/24 and the position at 31 March 2024.

In response to questions, members were informed that:

- The level of short-term borrowing had increased compared with the previous year partly due to a £350m Floating-Rate Note which was due to mature in March 2025. Options to reinvest were currently being considered, including a sustainability bond.



- Benchmarking information was available through the Chartered Institute of Public Finance and Accountancy (CIPFA), although Lancashire was generally an outlier compared to other local authorities due to its different approach. Previously, taking a different approach had produced positive results. Although there had been an overspend in the last financial year, it was not currently recommended to change the council's policy.

It was noted that reinvesting in sustainability bonds would align the council's treasury management activity with the council's corporate priorities and objectives.

Resolved: That the review of Treasury Management Activity 2023/24 be noted.

6. Amendment to the Treasury Management Strategy 2024/25

Mike Jensen, Director of Investment presented a report which set out a proposed amendment to the council's Treasury Management Strategy 2024/25.

It was highlighted that the differences between the current strategy and the proposed amendments were very small and overall the council's risk profile would remain balanced.

In response to members' questions and comments, it was confirmed that the proposed minimum credit qualities were still investment grade and therefore the additional risk level was not concerning.

Resolved: That the amendment to the Treasury Management Strategy 2024/25, as set out in the report, be recommended to Full Council for approval.

7. Approval of the Council's Statement of Accounts for 2023/24

Khadija Saeed, Head of Corporate Finance presented the 2023/24 Statement of Accounts for Lancashire County Council and Lancashire County Pension Fund for approval.

Members thanked the Corporate Finance Team for their work to prepare the council's accounts by the statutory deadline and to Khadija for delivering the member briefing on the statement of accounts, held Friday 19 July.

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

- Additional supporting information would be provided to members after the meeting on the difference in figures between the borrowing figures included in the accounts' balance sheet and the previously reported summary of treasury management.
- 'Payments in advance' referred to payments made by the council in advance of a service being delivered, i.e. a payment in one financial year to cover services for future financial years, which would not be considered expenditure for the year in



which the payment was made. Payments in advance often allowed the council to get an early payment discount.

- Consideration would be given to including additional notes, for clarification, about the council's earmarked reserves in response to members' queries.

Resolved: That the 2023/24 Statement of Accounts for Lancashire County Council and Lancashire County Pensions Fund, as set out, be approved.

8. External Audit - Lancashire County Council Audit Plan 2023/24

Stuart Basnett, Senior Audit Manager at Grant Thornton UK presented the Lancashire County Council Audit Plan for 2023/24.

In response to questions, members were informed that:

- Property was generally revalued every three years, but some larger buildings or assets would be reassessed every year.
- The investment properties held by Lancashire County Developments Limited (LCDL) were valued at approximately £85m and included business parks in Lancaster and Leyland. The valuation was twice Grant Thornton's materiality threshold and valuers relied on assumptions to determine valuations, which is why it had been identified as a risk for the 2023/24 audit. There had not been any significant change in valuation compared with the previous year.
- A completion date of September may never be achievable for the audits of large, complex authorities like Lancashire County Council, although Grant Thornton aimed to be closer to that date in future.
- This was the first audit of the new Public Sector Audit Appointments (PSAA) contract. The adjustments to the audit fees related to new auditing standards, which had not been included in the original PSAA fee, and the additional work required by expert valuers on land and buildings.

Resolved: That the Lancashire County Council Audit Plan 2023/24 be noted.

9. External Audit - Lancashire County Pension Fund Audit Plan 2023/24

Stuart Basnett, Senior Audit Manager at Grant Thornton UK presented the Lancashire County Pension Fund Audit Plan for 2023/24.

It was noted that the audit fees had increased compared to the previous year.

Resolved: That the Lancashire County Pension Fund Audit Plan 2023/24 be noted.



10. External Audit - Audit Progress Report and Sector Update

Stuart Basnett, Senior Audit Manager at Grant Thornton UK presented the Audit Progress Report and Sector Update as of July 2024.

It was highlighted that the LGA's "Ten questions for audit committees", referenced in the report, had already been considered by the council's officers and the committee.

In response to a question about the appointment of independent co-opted members to the committee in line with best practice, it was noted that the committee had already agreed the process to recruit one independent co-opted member, but this did not prevent it from considering another appointment in future.

Members were also informed of another piece of work being undertaken by officers to assess the council against the LGA's improvement and assurance framework for local government. The outcome of that work would be reported to a future committee meeting.

Resolved: That the Audit Progress Report and Sector Update for July 2024 be noted.

11. Internal Audit Annual Report 2023/24

Andy Dalecki, Head of Internal Audit presented the Internal Audit Annual Report for 2023/24.

It was highlighted that the council's control environment, particularly in relation to Oracle Fusion, was improved compared to the previous year.

In response to members' concern about cybercrime and the risk it posed to all public sector organisations, it was highlighted that the council's business continuity planning and technical specialists improved its resilience to respond to and mitigate possible attacks. The council used specialist auditors from Salford City Council to provide it with technical assurance, allowing the council's Internal Audit Service to focus on digital governance.

The committee expressed its thanks for the clear and informative annual report.

Resolved: That the Internal Audit Annual Report 2023/24, and the information it provides to support the council's Annual Governance Statement, be noted.

12. Corporate Risk and Opportunity Register - Quarterly Update

Heloise MacAndrew, Director of Law and Governance presented the updated Corporate Risk and Opportunity Register.

It was noted that the individual risk entries provided a helpful progress update.

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



13. Chairman's Annual Report

County Councillor Alan Schofield, Chair of the Audit, Risk and Governance Committee presented the Chairman's Annual Report for 2023/24.

It was noted that the report contained a mistake and the correct information regarding attendance at previous committee meetings was as follows:

Meeting Date	Committee Members	Substitute Members	Absent Members
24 July 2023	7	0	1
16 October 2023	7	0	1
29 January 2024	7	1	0
22 April 2024	6	2	0

Resolved: That the Chairman's Annual Report for 2023/24 be noted.

14. Draft Work Plan 2024/25

The committee considered the draft work plan for the Audit, Risk and Governance Committee for 2024/25.

It was noted that the committee's final meeting of the municipal year was scheduled for March, rather than April, due to the county council elections taking place in May 2025.

Resolved: That the Audit, Risk and Governance Committee work plan for 2024/25 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 14 October 2024 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 'C' to Item 12 - Corporate Risk and Opportunity Register - Quarterly Update

(Not for Publication - Exempt information as defined in Paragraphs 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.)

The committee considered the private and confidential Appendix C to Item 12 – Corporate Risk and Opportunity Register – Quarterly Update.

Resolved: That

- i) Appendix C to Item 12 – Corporate Risk and Opportunity Register – Quarterly Update, be noted; and
- ii) A report from Digital Services, as discussed, be presented to the Audit, Risk and Governance Committee's next meeting on 14 October 2024.

19. Counter Financial Crime, 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.)

Peter Walker, Investigations Manager presented the private and confidential Counter Financial Crime, Investigations and Whistleblowing Annual Report and an updated set of policies and procedures for the committee's approval.

Additional information relating to the outcome of whistleblowing cases in 2023/24 would be shared after the meeting.

Resolved: That

- i) The Counter Financial Crime, Investigations and Whistleblowing Annual Report be noted; and
- ii) The Anti-Money Laundering Policy Statement and Strategy, the Counter Financial Crime Policy, the Financial Crime Sanction and Prosecution Policy, and the Whistleblowing Policy, as set out, be approved.

20. Update on the Overpayment of Salaries

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



Noel O'Neill, Interim Director of Finance and Commerce presented a private and confidential report which provided an update on a previously reported issue with the overpayment of salaries.

It was noted that the next update report would be presented to the committee's meeting on 27 January 2025 and would respond to the committee's requests for additional detail.

Resolved: That the report on the overpayment of salaries be noted.

H MacAndrew
Director of Law and Governance

County Hall
Preston

