

Lancashire County Council

Audit, Risk and Governance Committee

Minutes of the Meeting held on Monday 25th January,2021 at 2.00 pm

Teams Virtual Meeting

Present:

County Councillor Alan Schofield (Chair)

County Councillors

J Berry	J Rear
S Malik	J Shedwick
T Martin	A Vincent
E Nash	

1. Apologies

None.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None.

3. Minutes of the Meeting held on 19 October 2020

Resolved: That the minutes of the Audit, Risk and Governance Committee held on 19 October, 2020 be confirmed and would be signed by the Chairman.

Ruth Lowry, Head of Internal Audit, advised the committee that there was no Internal Audit Plan progress update, as the significantly curtailed plan was not being progressed by the usual methodology and there was therefore no formal update to present. However, a favourable internal audit opinion was anticipated regarding the council's governance, risk management and control frameworks. This could be evidenced sufficiently via fact finding through the interrogation of documents and discussion with relevant senior managers. Her approach was supported by other heads of internal audit as well as the Chartered Institute of Internal Audit and the Chartered Institute of Public Finance and Accountancy.

It was emphasised that the ongoing audit regarding council decision making by officers and councillors, was focused on compliance with the Constitution not the political aspects of decision-making. The political parties represented on the committee had been given an opportunity to share their observations on decision-making and committee members were encouraged to make contact with Ruth Lowry if they wished to raise any non-political issues in relation to the audit.

In response to questions:

- Ruth Lowry confirmed that her work was reliant on the co-operation of senior management and she was receiving that co-operation.
- Laura Sales confirmed that county councillors were informed of certain decisions, such as disposal of property and highway issues that had been made in their division. However, there was no guarantee that members would be notified of every decision made in their area. Members commented that any opportunities to improve communications to county councillors to ensure decision making was fully informed would be welcomed.

4. Code of Conduct - Summary of Complaints

External Independent Persons, Terrance Whitehead and Irene Divine were welcomed to the meeting.

Laura Sales, Monitoring Officer and Director of Corporate Services presented a summary of all complaints received in 2020 against county councillors under the Code of Conduct.

The committee was reminded that during the recent review of policies and procedures, it had been agreed that this committee would receive an annual report regarding complaints received and their resolution. The report presented demonstrated that a small number of minor complaints continued to be received. It was highlighted that it hadn't been necessary to escalate any of the complaints to the Conduct Committee. When required apologies were generally forthcoming and most complaints were dealt with informally. Fewer complaints had been received in 2020 and it was suggested that this may be in part due to the reduction in meetings due to the Covid-19 pandemic.

In response to a question it was clarified that complaints that were not a breach of the code were still logged, to support transparency for both councillors and the residents of Lancashire. The Independent Persons emphasised it was also important to log such complaints to demonstrate why some did not constitute a breach of the code.

Resolved: That the summary of complaints received in 2020, as presented, be noted.

5. Code of Conduct - Review

Josh Mynott, Democratic and Member Services Manager presented an update to the committee on the response to the Committee for Standards in Public Life's recommendations, in relation to best practice for a local authority Code of Conduct.

It was highlighted that with regard to the publication of a public interest test recommendation, the suggestion in Appendix B was based on what Monitoring Officers in other authorities considered when determining whether or not it was in the public interest to investigate a complaint.

The model Code of Conduct at Appendix C had been published by the Local Government Association as requested of them by the Standards Committee, for councils to adopt if they wished.

In response to a question it was confirmed that the recommendation in the October, 2020 minutes had been followed by officers and the option of a task and finish group was a step to be taken following this work, if this committee requested this as necessary.

Members commented that training for councillors regarding emphasising the importance of safeguarding vulnerable councillors from poor behaviour from peers would be useful. This, alongside the dissemination of a clearer process of how councillors were safeguarded would raise the profile of such issues. The Monitoring Officer agreed that how councillors were supported could be explored further, however no complaints had been received in relation to poor behaviour causing a detrimental impact on a councillor. If a complaint such as this had been received, it would be treated very seriously. It was emphasised that the Monitoring Officer had met with the groups' whips to highlight the importance of the Code of Conduct, when there had been areas of concern in relation to behaviour.

Resolved: That:

- (i) The changes proposed to the Code of Conduct as detailed in Appendices A and B, be recommended to the Full Council for approval.
- (ii) The Full Council be asked to refer the Local Government Association model Code of Conduct to be discussed further by the Political Governance Working Group. If adoption of the model was deemed appropriate by the group, their recommendations would be brought to this committee for review before making any recommendations to the Full Council.

6. External Audit - Lancashire County Council Audit Findings Report 2019/20 (Updated)

Paul Dossett, Partner, Grant Thornton presented the updated Lancashire County Council Audit Findings Report 2019/20, for the year ending 31 March 2020. The updated report gave an overview of progress made and the reason for the delay in issuing the audit opinion.

It was noted that the Financial Reporting Council, responsible for the regulation of auditors, had increased the scrutiny required of local government audits, in response to failures noted within the corporate audit sector. This enhanced scrutiny necessitated an increase in audit requirements related to financial instruments. The report set out the issue encountered regarding the valuation of

Lender Option Borrower Option (LOBO) long term investments, whereby a more detailed review was required. External and internal advice had been sought and the issue was close to being finalised. This was the only item outstanding that was preventing the signing of the audit.

In response to a question it was clarified that the initial assessments of the valuations had now been received and were awaiting further evaluation. Completion was anticipated this week.

Resolved: That the updated position of the 2019/20 Lancashire County Council Audit report and issues raised by the auditor, as presented, be noted.

7. External Audit - Lancashire County Pension Fund Audit Findings Report 2019/20 (Updated)

Paul Dossett, Partner, Grant Thornton presented the updated Lancashire County Pension Fund Audit Findings Report for 2019/20, for the year ending 31 March 2020.

It was noted that the outstanding items, reported at the last meeting, had now been received and no further work was required. The work on IAS19 had been conducted since the agenda had been issued. The pension fund audit could be finalised once the Lancashire County Council audit was completed.

Resolved: That the updated position of the 2019/20 Lancashire County Pension Fund Audit report, as presented, be noted.

8. External Audit - Audit Progress Report and Sector Update 2020/21

Paul Dossett, Partner, Grant Thornton presented the External Audit Progress Report and Sector Update 2020/21.

The report outlined the new arrangements for reporting value for money. Previously this had been based on reporting risks as necessary. The new National Audit Office code required more positive assurance, requiring a detailed review of financial sustainability and governance arrangements. The final area would look at how the council achieves economy, efficiency and effectiveness, through benchmarking against other councils and how best value had been achieved in procurement. It would be a separate report providing a commentary on the key areas rather than a conclusion. Statutory recommendations would be included if poor practice was identified.

Revised auditing standards would require enhanced assurance with regard to estimates, prior to the preparation of the accounts. This would primarily impact pension liability and valuation of assets. Management would be required to provide a report to this committee regarding the council's approach to estimates.

These revisions, plus new standards regarding going concern and fraud would result in more auditing work. This reflects work by the Financial Reporting Standards to improve standards in the wake of private sector failure.

In response to a question it was clarified that currently Grant Thornton utilised their own valuer to challenge the council's methodology and assumptions when making valuations. There was potential for a requirement for further challenge required depending on the variation in valuations. A lack of data and evidence in other councils' valuations had resulted in audits not being signed off. This had become a high profile issue requiring further scrutiny. The additional work now required had been recognised by the Public Sector Audit Appointments body, who published the fee scale for audits. Central Government had committed to provide an additional £15 million funding to local authorities in 2021 for the 2020/21 audit to support the additional cost.

Resolved: That the External Audit Progress Report and Sector Update 2020/21 as of January 2021, as presented, be noted.

9. Update on the Council's Statement of Accounts 2019/20 and Approval of the Accounting Policies for 2020/21

Khadija Saeed, Head of Service, Corporate Finance, presented an update regarding the council's Statement of Accounts for 2019/20 and Accounting Policies for 20/21.

The report highlighted that the audit was not concluded by the 30 November 2020 statutory deadline, due to capacity issues within Grant Thornton. Therefore, as per regulatory requirements, the council had published a notice on its website stating that the audited accounts would be published as soon as reasonably practicable after the receipt of the auditor's findings.

Resolved: That

- (i) The position in relation to the external audit of the council's statement of accounts for 2019/20, as presented, be noted.
- (ii) The accounting policies for 2020/21, as set out in Appendix A, as presented, be approved.

10. Treasury Management Strategy 2021/22

Mike Jensen, Director of Investment, Financial Services, presented the Treasury Management Strategy, the Non-Treasury Strategy and associated Minimum Revenue Provision Policy Statement.

The following points were highlighted from the report:

- The Treasury Management Strategy advocated the continued maintenance of a low credit risk profile and cautious portfolio management. The risk mitigation

strategy had successfully supported the council through the challenging macroeconomic environment, resulting from the Covid-19 pandemic and the UK's withdrawal from the European Union.

- Another year of low interest rates was anticipated. It was likely that gilts yields would continue to be low.
- Supranational bonds provided a preferable AAA credit rating compared to UK institutions following the downgrading of credit ratings in 2020.

The efforts of the whole Treasury Management team in strengthening the council's treasury position was acknowledged.

In response to a question it was clarified that, as a result of the 2020 policy change to restructure Lancashire's debt profile, the option of floating a third bond was not anticipated as necessary this year. However, the option would continue to be kept under consideration.

Resolved: That the Treasury and Non-Treasury Management Strategies and the Minimum Revenue Provision Policy Statement for 2021/22, as presented, be recommended to the Full Council for approval.

11. Urgent Business

There was no urgent business to be considered.

12. Date of Next Meeting

It was noted that the next meeting of the committee would take place at 2pm on Monday, 26th April, 2021. The venue for the meeting is to be confirmed.

L Sales
Director of Corporate Services

County Hall
Preston