



Annual Report 2020/21

Audit, Risk and Governance Committee

Lancashire County Council



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Chairman's Introduction

As the Chairman of the Audit, Risk and Governance Committee I am very pleased to present this annual report which sets out the role of the Audit, Risk and Governance Committee, and summarises the work we have undertaken during the financial year 2020/21.

The Committee operates in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA) and continues to be well supported by officers, providing a high standard of reports and presentations. In particular I should like to thank the Internal Audit and the External Audit teams.

I should like to take this opportunity to give my personal thanks to all the officers, my previous Deputy Chairman Edward Nash and without exception, all fellow Committee members who have contributed and supported the work of the Committee in such a meaningful and positive way throughout the past year.

County Councillor Alan Schofield

Chairman, Audit, Risk and Governance Committee

Role of the Audit, Risk and Governance Committee

The Audit, Risk and Governance Committee operates in accordance with the “Audit Committees, Practical Guidance for Local Authorities and Police” produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018. The Guidance defines the purpose of an Audit Committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
2. The purpose of an Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The key functions of the Audit, Risk and Governance Committee are defined within the council's Constitution via the committee's Terms of Reference and are agreed each year at the first committee meeting following Full Council's Annual General Meeting. Any proposed changes recommended by the committee would need to be ratified by Full Council.

Key Activities

In this section the activities of the committee during 2020/21 are summarised under the headings of the key functions.

Internal Control

The Audit, Risk and Governance Committee approved the Annual Governance Statement (AGS) for 2020/21 in April 2021 for inclusion in the council's Statement of Accounts. This included actions for 2021/22, within the following areas, to improve existing governance arrangements:

- Reshaping the County Council
- Family Safeguarding
- Responding to the SEND Inspection
- Integration & Innovation
- Provision of ICT Services
- Covid-19 – Moving Towards Recovery

This year the AGS not only covered the governance arrangements as a result of responding to the coronavirus pandemic (CV-19), but it will also include the pension fund governance statement as approved by the Pension Fund Committee.

The Committee usually actively monitors progress through the Corporate Risk and Opportunity Register and specific reports. Before CV-19, service risk and opportunity registers were updated regularly, and the Corporate Risk and Opportunity register was reported to the Corporate Management Team (CMT), the Cabinet Committee for Performance Improvement (CCPI) and the Audit, Risk and Governance Committee on a quarterly basis. As a result of CV-19, reporting was suspended, and service level situation reports were introduced. These reports were presented weekly and later fortnightly to the Corporate Emergency Response Team and issues escalated to CMT and the Local Resilience Forum. More recently, service level risk registers have been reintroduced and shared with the Head of Internal Audit as a source of assurance.

The Committee received and considered updates in the following areas:

- Code of Conduct - Complaints
- Code of Conduct

Code of Conduct Complaints – in January 2021, the Director of Corporate Services and Monitoring Officer presented a report detailing a summary of all complaints received in 2020 against county councillors under the Code of Conduct. External Independent Persons, Terrance Whitehead and Irene Divine were welcomed to the meeting. The committee noted that a small number of minor complaints continued to be received. It was highlighted that it had not been necessary to escalate any of the complaints to the Conduct Committee.

Code of Conduct

In October 2020 the committee considered a report which provided an overview of the best practice recommendations of the Committee for Standards in Public Life in relation to local government standards. It was noted that the report had been brought for consideration as all local authorities had been asked to provide a progress update regarding their response to the recommendations. The committee asked that officers engage with members and report back on a number of issues. An update was presented to the committee in January 2021 and a number of recommendations were put forward to Full Council.

Full Council were asked to refer the Local Government Association Model Code of Conduct to the Political Governance Working Group for further discussion. If adoption of the model was deemed appropriate by the group, their recommendations would be brought back to this committee for review before making any final recommendations to the Full Council.

Risk Management

As mentioned above, during 2020/21 service risk registers were suspended and replaced by situation reports in response to CV-19. It is anticipated that service level risk registers will be reintroduced, and a subsequent Corporate Risk and Opportunity Registers will be presented to committee in due course.

Internal Audit

In July 2020 the Committee agreed the Internal Audit Plan 2020/21, which provides members with the opportunity to challenge and influence the plan where they have identified areas of concern.

The Head of Internal Audit is required to provide an independent opinion on the Council's governance, risk management and control frameworks and therefore the extent to which the Council can rely on them. The Internal Audit Annual Report for 2019/20 was presented to the Committee in July 2020. The report summarised the work undertaken by the Internal Audit Service and the key themes arising in relation to internal control, governance and risk management across the County Council. Three quarters of the 55 audits undertaken provided either substantial or moderate assurance and the Head of Internal Audit's overall opinion for 2019/20 was that moderate assurance was given regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.

The regular update reports of the Head of Internal Audit to the Audit, Risk and Governance Committee normally enable emerging issues arising from Internal Audit activity to be considered on a timely basis, including where appropriate working with Senior Officers to seek assurance that matters are being dealt with promptly and effectively. However, the audit team was redeployed for most of 2020/21 to other services to offer wider operational support to meet needs that had arisen out of the pandemic. As a result, the plan was significantly reduced.

However, evidence from other sources was available and used, exceptionally, to support the overall opinion for the year. Again, the Internal Auditor's opinion was that moderate assurance could be given and this was given in the Internal Audit Annual Report 2020/21 presented in April 2021.

As the Chairman of the committee, I meet or communicate with the Head of Internal Audit without other officers present as and when necessary.

I am satisfied that the Internal Audit Service is free to carry out its duties without restrictions.

External Audit

The council's external auditors, Grant Thornton UK LLP, attended all the committee's meetings during 2020/21, providing regular updates on their work plan and any matters arising. In addition, they have provided the committee with sector updates for consideration that highlight key themes, issues and priorities for local government. These have been well received and are very helpful to the committee. The committee received and reviewed the External Audit Annual Letter.

Fraud and Corruption

The committee receives regular updates from the Head of Internal Audit on any reported matters of suspected fraud, including investigations. Outcomes of investigations are reported to and monitored by the committee.

In July 2020 and April 2021, the committee received a report on Whistleblowing, Special Investigations and Counter Fraud from the Head of Internal Audit, that highlighted there have been very few cases. Whilst it is not unexpected there is very little fraud identified, nationally statistics show that fraud is on the increase, so it is important that we all remain vigilant.

Annual Statement of Accounts

The 2019/20 Accounts were prepared on time and presented to the committee for comment. We received the External Auditors report in October 2020. Due to the pandemic the audit had been undertaken remotely, resulting in some tasks taking longer than usual. However, it was very pleasing to note that high standards had been maintained. The External Auditor concluded that the council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

A dedicated session on the draft Statement of Accounts was held for the committee.

Work Plan 2020/21

In July 2020, the committee agreed its work plan for 2020/21. The plan set out the standard reports which are expected to be brought to the committee during the course of the financial year.

It was expected that during the course of the year, the committee would also identify other areas and issues to consider as appropriate.

Treasury Management

The committee receives reports on Treasury Management throughout the year, exercising its stewardship role on behalf of the council. The committee reviewed:

- Treasury Management Activity 2019/20
- Lancashire County Council Treasury Management Investment Policy
- Treasury Management Activity 2020/21 Update
- Treasury Management Policy and Strategy 2020/21

A training session for the committee has been held on Treasury Management.

Governance

The committee agreed the Annual Governance Statement 2019/20 that explained how the county council had complied with the Local Code of Corporate Governance. The committee reviewed the Local Code of Corporate Governance in July 2020 and recommended it to Full Council for approval. In April 2021 the committee again considered these reports and approved the AGS for 2020/21 and the Local Code of Corporate Governance for 2021/22.

The committee has not received any reports in respect of investigations into allegations of misconduct under the Members' Code of Conduct. The committee has not granted any dispensations from requirements relating to interests as set out in the code of conduct for members.

Membership, Meetings & Attendance

Audit, Risk and Governance Committee

The Audit, Risk and Governance Committee comprises eight elected members representing the political balance of the council as a whole.

Officers

The Audit, Risk and Governance Committee continues to be well supported by Officers, providing reports either in accordance with the committee's work programme, or at the request of the committee.

In 2020/21 the Chief Executive and Section 151 Officer, Director of Finance, Director of Corporate Services (and Monitoring Officer), Head of Legal and Democratic Services (and Deputy Monitoring Officer), Head of Internal Audit and Head of Corporate Finance routinely attended the meetings.

External Audit

The External Auditors, Grant Thornton UK LLP, have attended all the Audit, Risk and Governance Committee meetings.

Meetings

The Audit, Risk and Governance Committee met four times in 2020/21. Given CV-19 restrictions the meetings were held virtually. A work programme has been agreed by the Audit, Risk and Governance Committee. The programme will be reviewed when setting the agenda for each meeting and added to when appropriate to ensure ad-hoc requests instigated by the committee are reported.