

## **Lancashire County Council**

### **Audit, Risk and Governance Committee**

**Minutes of the Meeting held on Monday 31st January 2022 at 2.00 pm in Cabinet Room 'A' - The Tudor Room, County Hall, Preston**

#### **Present:**

County Councillor Alan Schofield (Chair)

#### **County Councillors**

N Aziz	J Couperthwaite
R Bailey	J Shedwick
J Berry	R Swarbrick

County Councillor Usman Arif joined the meeting virtually, via Microsoft Teams.

#### **1. Apologies**

The Chair welcomed everyone to the meeting. It was noted that County Councillor Noordad Aziz had replaced County Councillor Yousuf Motala as a member of the committee.

No apologies were received.

The Chair also welcomed Andy Dalecki, newly appointed Head of Internal Audit, to the county council.

#### **2. Disclosure of Pecuniary and Non-Pecuniary Interests**

None.

#### **3. Minutes of the Meeting held on 18 October 2021**

**Resolved:** That the minutes of the Audit, Risk and Governance Committee meeting held on 18 October 2021 be confirmed as an accurate record, subject to the final paragraph of Item 9 (Corporate Risk and Opportunity Register – Quarter 3 Update) being amended as follows:

"Members highlighted the importance of thorough risk assessments and support for county council staff when meeting members of the public, for example at face-to-face surgeries."

#### **4. Treasury Management Activity 2021/22**

Mike Jensen, Director of Investment, presented a report which provided an overview of the council's Treasury Management Activity for the period April to November 2021.

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

- Future increases in short-term interest rates would impact the county council to some extent, however a substantial amount of the authority's debt was held in long-term, fixed rate bonds which limited the impact of changing rates. A large proportion of the council's investment portfolio was held in floating rate bonds, which would benefit from increasing rates.
- The rate of return on the investment portfolio (currently measured at 0.85%) was expected to increase slightly towards the end of the financial year. It was noted that the rate of return measurement by Arlingclose, the council's treasury management advisors, did not take into account the valuation gains associated with those investments. Nonetheless, a period of volatility was expected.

**Resolved:** That the review of Treasury Management Activity 2021/22 be noted.

#### **5. Treasury Management Strategy 2022/23**

Mike Jensen, Director of Investment, presented the proposed Treasury Management Strategy, Investment Strategy, and Minimum Revenue Provision Policy Statement for 2022/23.

It was highlighted that the policies were mostly unchanged from the previous year, though had been influenced by the anticipated period of increase in interest rates. To respond to this change, it would be necessary to consider managing the council's risks through hedging. The Royal Bank of Canada had been appointed as a clearing agent to facilitate this.

The council's credit matrix had also been adjusted, to take account of the UK Government's reduced credit rating.

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

- Regarding the new category of bonds in companies owned by governments, EDF (Electricité de France) was the primary energy supplier in France and the UK's preferred supplier of nuclear energy.
- Hedging was the process of ameliorating unwanted risks in the portfolio. A further explanation on hedging could be provided at the next treasury

management training session for members of the committee if considered helpful.

- On funding capital programmes, it had been beneficial over the last few years to borrow rather than use the council's existing funds, due to low interest rates. If it became more economical to fund from existing resources, rather than through external borrowing, then the debt level of the authority would be expected to steadily fall.

Members thanked Mike and the wider Treasury Management team for their hard work.

**Resolved:** That the Full Council be recommended to approve the Treasury Management Strategy, Investment Strategy, and Minimum Revenue Provision Policy Statement for 2022/23.

## **6. 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 2020/21, for the period to 31 December 2021.

It was highlighted that:

- Officers were following-up the audit of health and safety at the Integrated Transport Service's operational depot, to ensure that the recommendations of the Internal Audit Service were being implemented.
- On the outstanding actions agreed following audit work completed in 2018/19 and 2019/20, work would be undertaken to verify whether these recommendations were still appropriate.
- The audit of the Building Schools for the Future (BSF) programme had been delayed to the following year and would be included in the 2022/23 Internal Audit Plan, when the service would have more capacity to engage with the Internal Audit team.

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

- In the absence of a contract manager, the Building Schools for the Future contracts were being monitored by the service with the support of specialist consultants.
- The audit planning process for 2022/23 had commenced. Ordinarily, following an audit in which only limited assurance could be given, agreed actions and

progress would be monitored during a follow-up process, rather than added to the next year's Audit Plan.

To ensure agreed actions were being implemented, members asked that updates on the limited assurance audits be included in future progress reports.

Members noted the timeliness of the audit of the administration of the council's scrutiny function, given that scrutiny had also been mentioned in the external auditor's Annual Report for 2020/21. The importance of effective scrutiny and the council's 'Think Scrutiny' guidance were highlighted.

Members also noted with concern the difficulties facing the council's school catering service and asked that the topic be given priority in the Internal Audit Plan for 2022/23.

**Resolved:** That the Internal Audit Progress Report be noted.

## **7. Code of Conduct - Summary of Complaints**

Paul Bond, Head of Legal, Governance and Registration Services, presented a report which summarised all complaints received against county councillors under the Code of Conduct in 2021.

It was highlighted that the number of complaints received against councillors continued to be low and that all councillors had received Code of Conduct training as part of their induction to the county council.

The Political Governance Working Group continued to review the council's Code of Conduct and the model Code of Conduct published by the Local Government Association. The Working Group would report back to the Audit, Risk and Governance Committee in due course, as agreed at the committee meeting on 25 January 2021.

Members raised concerns that there were no sanctions against county councillors who were found to have breached the Code of Conduct and were reassured that this matter would be raised with the Political Governance Working Group to inform their review of the Code.

**Resolved:** That the summary of complaints received in 2021 be noted.

## **8. External Audit - Auditor's Annual Report 2020-21**

Paul Dossett, Partner, and Stuart Basnett, Audit Manager at Grant Thornton UK presented the external auditor's Annual Report on Lancashire County Council for 2020/21.

It was highlighted that:

- The National Audit Office (NAO) Code of Audit Practice no longer required auditors to provide a binary qualified/unqualified Value for Money conclusion. Instead, auditors were to provide a more holistic overview of the council's arrangements to achieve Value for Money.
- The Annual Report for 2020/21 highlighted a number of improvement recommendations regarding governance and financial sustainability, but no statutory or key recommendations. Officers at the county council would provide a response to these recommendations before the Annual Report was considered by the Full Council.
- Overall, the auditors were satisfied with the arrangements in place at the council in relation to financial sustainability, governance, and improving economy, efficiency, and effectiveness.

In response to questions, members were informed that:

- The minor improvement recommendations made by the auditors were indicative of the strong controls in place at the council.
- As highlighted in the report, benchmark analysis revealed that expenditure in Children's Services and Adult Services was very high compared with other local authorities. The council had arrangements in place to address this.
- The improvement recommendations regarding governance were specific to Lancashire County Council, though in the context of these issues identified across local government more generally.

Members noted with concern that management's responses to the auditor's improvement recommendations were missing from the report. It was agreed that this outstanding information would be shared with members of the committee before the final report was presented to the Full Council, on 17 February 2022.

Neil Kissock, Director of Finance provided reassurance that the auditor's improvement recommendations would be responded to.

**Resolved:** That the findings and improvement recommendations presented in the Auditor's Annual Report for 2020/21 be noted, subject to management's responses to the recommendations being provided to the committee ahead of the Full Council meeting on 17 February 2022.

**9. External Audit - Audit Progress Report and Sector Update January 2022**

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

No comments or queries were raised by the committee.

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

**10. Accounting Policies Used in the Preparation of the Statement of Accounts 2021/22**

Khadija Saeed, Head of Corporate Finance, presented a report which set out the accounting policies to be used in preparing the council's 2021/22 statement of accounts.

It was highlighted that the policies were mostly unchanged from those used to prepare the statement of accounts for 2020/21.

**Resolved:** That the accounting policies for 2021/22 be approved.

**11. Matters Arising Under Urgent Business Since the Last Meeting**

The committee considered a report which provided information on decisions approved by the Chief Executive and Director of Resources as Urgent Business since the committee's last meeting.

**Resolved:** That the matters arising under Urgent Business since the committee's last meeting be noted.

**12. Urgent Business**

There was one item of Urgent Business to be considered, as follows:

**a. Update on Overpayment of Salaries**

Neil Kissock, Director of Finance, presented an item of Urgent Business to update the committee on improvements to the county council's payroll leavers controls, as requested by the committee at its meeting on 18 October 2021.

The report had not been prepared in time for agenda publication and so, to meet the request of the committee at its last meeting, was to be considered as an item of Urgent Business.

The committee noted that:

- The report did not include information on the effectiveness of the actions taken to recover overpayments.
- The vast majority of overpayments were recovered quickly.
- The council's payroll services had been brought back in house since a peak in the number of overpayment cases in 2019/20.
- An improved Human Resources system, Oracle Fusion, was due to be introduced in July 2022, which would provide better notification at the end of an individual's employment with the county council.

**Resolved:** That

- i) The update on overpayment of salaries be noted; and
- ii) A further report on the overpayment of salaries be provided at the next meeting of the committee, on 25 April 2022, to include information about the 2021/22 financial year and on the amounts which had not been recovered to date.

### **13. Date of Next Meeting**

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 25 April 2022 at 2.00 pm, at County Hall, Preston.

L Sales  
Director of Corporate Services

County Hall  
Preston