

**Lancashire County Council**

**Audit, Risk and Governance Committee**

**Minutes of the Meeting held on Monday 17th October 2022 at 2.00 pm in  
Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

**Present:**

County Councillor Alan Schofield (Chair)

**County Councillors**

R Bailey

J Couperthwaite

J Berry

J Shedwick

M Clifford

J R Singleton JP

**1. Apologies**

The Chair welcomed everyone to the meeting.

No apologies were received.

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

None.

**3. Minutes of the Meeting held on 25 July 2022**

**Resolved:** That the minutes of the Audit, Risk and Governance Committee meeting held on 25 July 2022 be confirmed as an accurate record.

**4. External Audit: Lancashire County Council Audit Findings Report 2021/22**

Sarah Ironmonger, Partner at Grant Thornton UK presented the Lancashire County Council Audit Findings Report for 2021/22.

The external auditors expressed their thanks to colleagues in the council's finance team for their cooperation.

It was noted that two matters needed resolution before the auditors could finalise their opinion: the valuation of land and buildings; and a national issue regarding infrastructure assets. A statutory instrument was expected to resolve the latter by the end of 2022.

Therefore, it was expected that the auditors' final opinion would be provided at the committee meeting on 30 January 2023. Committee members expressed disappointment that the final audit opinion would not meet the statutory deadline of 30 November 2022 but were reassured that the auditors had every intention of presenting their final opinion in January.

In response to questions, the committee was informed that:

- The valuation of land and buildings was a technical piece of work. The auditors were assessing whether the value of land and buildings had changed materially since the valuation on 1 April 2021 and the accounts dated 31 March 2022. In years with less market volatility, this element of the audit had not been significant.
- The auditors were required to issue their annual report within three months of the final audit opinion. Lancashire County Council was in a good position, having produced accounts and completed audits for all previous years to date. The two key issues outlined above were currently the only factors that might prevent the auditors from issuing a final opinion, but they were expected to be resolved in due course.
- The auditors were not aware of any financial implications facing the county council as a result of the late audit opinion. All upper tier authorities in England were likely to be facing the same issue regarding infrastructure assets.
- An additional piece of work was being carried out on subsequent events to establish whether, as a result of recent market activity, additional disclosures were required. The auditors were not currently aware of anything that would change the figures in the council's accounts.
- Regarding minimum revenue provision, the rises in interest rates would increase the council's costs. Interest rate risks were included in the treasury management updates to the committee.

The committee expressed its thanks to the council's finance team for working with the external auditors and providing the council's statement of accounts in a timely manner.

**Resolved:** That the following be noted:

- i) The Lancashire County Council Audit Findings Report 2021/22; and
- ii) That an updated Audit Findings Report would be presented to the next Audit, Risk and Governance Committee meeting on 30 January 2023.

**5. External Audit: Lancashire County Pension Fund Audit Findings Report 2021/22**

Stuart Basnett, Audit Manager, Grant Thornton UK presented the Lancashire County Pension Fund Audit Findings Report for 2021/22.



It was highlighted that most of the outstanding elements listed in the report were close to completion, and at this stage the auditors were expecting to provide an unqualified opinion.

The auditors' assessment of the valuation of Level 3 investments had identified a circa £33m difference between the value provided in the Pension Fund's accounts (based on valuations from December 2021) and the investment confirmations at 31 March 2022, but this was not unusual. The difference was not material and therefore was not expected to change the accounts.

**Resolved:** That the following be noted:

- iii) The Lancashire County Pension Fund Audit Findings Report 2021/22; and
- iv) That an updated Audit Findings Report would be presented to the next Audit, Risk and Governance Committee meeting on 30 January 2023.

## **6. Anti-Fraud and Anti-Corruption Policy Documents**

Andy Dalecki, Head of Internal Audit presented an updated suite of anti-fraud and anti-corruption policies for the committee's approval.

In response to questions, the committee was informed that:

- The service would work on awareness raising and training relating to these policies, to be delivered across the organisation to councillors and officers. Training would need to be tailored to services to ensure it was applicable to their roles. Staff were not currently tested on their awareness of the council's anti-fraud policies. Consideration would be given to hosting a Bite Size Briefing for councillors.
- The policies had not been lacking before these updates, but it was necessary to continue strengthening them. Combatting the risk of fraud relied on a two-pronged approach: the Internal Audit Service's work to assess the council's fraud controls; and the work of fraud investigators to investigate, seek prosecutions, and recover monies in cases where fraud has taken place, which both acted as a deterrent and helped to strengthen the council's controls.
- An ongoing concern was that fraud was generally underreported and increasing. The Internal Audit Service worked closely with senior officers, including the Director of Finance and the Chief Executive and Director of Resources, to ensure the service had sufficient resource to deal with complex investigations when needed.

**Resolved:** That

- i) The updated Anti-Fraud, Bribery and Corruption Policy, as presented, be approved;



- ii) The new Fraud Sanction and Prosecution Policy, as presented, be approved;
- iii) The updated Whistleblowing Policy, as presented, be approved; and
- iv) The updated Anti-Money Laundering Policy Statement and Strategy, as presented, be approved.

## **7. 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 26 September 2022.

In response to questions, the committee was informed that:

- The external quality assessment was now likely to start in January 2023 and it was possible the independent assessor would want to speak with some committee members.
- The audit of payroll and overpayments had reviewed the service as a whole, rather than just the issue of salary overpayments. The substantial assurance given therefore covered the whole payroll system.
- Regarding the audit of transport provision for children, moderate was a positive assurance level and reflected the fact that potential risks to the service were well controlled. It had not received a substantial assurance rating largely due to the number of management actions agreed, most of which related to process. The auditors had not identified any safeguarding concerns, rather some inconsistency in the application of the service's processes, such as driving licence checks. Clarification on whether an audit of the integrated school transport service had been carried out in the past would be provided after the meeting.
- It was possible that work from this year's audit plan would be carried over to 2023/24, but the service aimed to complete as much as possible this year and did not currently have concerns about delays.
- The government increasingly included a requirement for grant allocations that the Internal Audit Service must provide assurance over the council's use of grant funding. Grant certification work would be factored into subsequent years' audit plans.

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

## **8. Corporate Risk and Opportunity Register - Quarter 2 Update**

Paul Bond, Head of Legal, Governance and Registrars presented the updated Corporate Risk and Opportunity Register for Quarter 2 of 2022/23.



It was highlighted that the risk entry relating to cyber security contained exempt information and was included in Part II of the agenda, and that any risks that had been removed from the Corporate Register would continue to be monitored on directorate risk registers.

In response to the questions, the committee was informed that:

- The target risk confidence provided an indication of whether the council expected to achieve the target risk score by the target date. Regarding Financial Sustainability, the number of unknowns facing the whole public sector contributed to the red confidence level. Measures were in place to mitigate this risk.
- The Executive Management Team decided whether risks with a rating of 12 or above should be added to the Corporate Register. Risks that received a rating of 12 or above at directorate level would not always be added to the Corporate Register, depending on how wide the risk impact could be from a corporate perspective. Risks not included on the Corporate Register would be managed at a directorate level.
- Despite the current risk score remaining the same as Quarter 1 for the risk relating to School Places, it had received a green target risk confidence level because the council expected to achieve the target risk score (8) by the target date (March 2023). Members' concerns about the insufficiency of school places would be shared with the risk owner as part of the Quarter 3 review.

The committee was reassured that the directorate risk registers were carefully considered by the Executive Management Team. Members agreed that, once a final risk rating has been agreed by directorates and the Executive Management Team, all risks with a rating of 12 or above should be reported to the committee.

**Resolved:** That

- i) The updated Corporate Risk and Opportunity Register be noted; and
- ii) All risks with a rating of 12 or above, once the final score has been agreed between individual directorates and the Executive Management Team, be included in future Corporate Risk and Opportunity Register update reports to the committee.

## **9. Urgent Business**

None.

## **10. Date of Next Meeting**

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 30 January 2023 at 2.00 pm at County Hall, Preston.



## 11. 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.

## 12. Appendix 'B' to Item 8 - Corporate Risk and Opportunity Register - Quarter 2 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 8 – Corporate Risk and Opportunity Register – Quarter 2 Update.

**Resolved:** That Appendix B to Item 8 – Corporate Risk and Opportunity Register – Quarter 2 Update, be noted.

## 13. 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.)

Neil Kissock, Director of Finance presented a private and confidential report which provided the requested twice-yearly update on the overpayment salaries.

It was noted that a further update would be provided at the committee meeting on 24 April 2023.

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

## 14. RIPA Policy - Annual Review

(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.)

Chris Wilkinson, Trading Standards Manager presented a private and confidential annual report on the Regulation of Investigatory Powers Act 2000 (RIPA), including an update on the council's use of RIPA and the council's RIPA policies for the committee's approval.



It was noted that the results of the upcoming inspection by the Investigatory Powers Commissioner's Office would be reported to the committee.

**Resolved:** That

- i) The Corporate Policy and Guidance on the Regulation of Investigatory Powers Act 2000, as presented, be approved;
- ii) The Shadow RIPA Surveillance Policy, as presented, be approved; and
- iii) The Covert Social Networking Checks and Surveillance Policy, as presented, be approved.

L Sales  
Director of Corporate Services

County Hall  
Preston

