

Lancashire County Council

Audit, Risk and Governance Committee

**Minutes of the Meeting held on Monday 30th January 2023 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 Berry

M Clifford

J Couperthwaite

J Shedwick

J R Singleton JP

1. Apologies

Apologies were received from County Councillor Usman Arif.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

In relation to Item 18, it was noted that the Chair, County Councillor Alan Schofield, was a Member of the Local Pensions Partnership Limited Board.

3. Minutes of the Meeting held on 17 October 2022

Resolved: That the minutes of the Audit, Risk and Governance Committee meeting held 17 October 2022 be confirmed as an accurate record.

4. Treasury Management Activity 2022/23

Mike Jensen, Director of Investment presented an overview of the council's Treasury Management activity for the period April to November 2022.

It was highlighted that recent activity had been focussed on protecting the county council's position and limiting borrowing costs, given the difficulty facing the whole UK economy.

In response to questions, the committee was informed that further information on the following could be provided after the meeting:

- The council's long-term borrowing maturity dates; and

- The council's previous PFI projects and remaining liability, as shared after the committee meeting on 25 July 2022.

Resolved: That the review of Treasury Management Activity 2022/23 be noted.

5. Treasury Management Strategy 2023/24

Mike Jensen, Director of Investment presented the proposed Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision Statement for 2023/24.

It was highlighted that the strategy documents were similar to the previous year and, as set out in the report, the council's debt profile was expected to continue declining.

In response to a query, the committee was advised that interest rates were expected to continue rising because inflation was currently much higher than target. The Bank of England would judge how long interest rates would need to remain at current levels in order to impact inflation.

It was noted that officers would work with Arlingclose to arrange the annual Treasury Management training for committee members.

Resolved: That the Full Council be recommended to approve the Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision Statement for 2023/24.

6. The Council's Statement of Accounts for 2021/22 and Accounting Policies for 2022/23

Khadija Saeed, Head of Corporate Finance presented the council's updated statement of accounts for 2021/22, the letters of representation from those charged with governance for Lancashire County Council and Lancashire County Pension Fund, and the accounting policies to be used in preparing the council's 2022/23 statement of accounts.

It was highlighted that three notable changes had been made since the committee last received the statement of accounts for 2021/22, as set out in the report.

In response to questions, the committee was informed that:

- The council's balance sheet was required to include materially sound valuations of its land and buildings. Due to the size of the council's portfolio, its assets were usually revalued over three years. Following recent market volatility and its impact on the valuation of the council's land and buildings over the financial year, officers would use the valuation as at 31 March (the end of the financial year) in the statement of accounts in future. Other local authorities were facing this challenge and, like the county council, may need to increase the scale of valuations in future if recent volatility continued.



- Changes to the valuation of the council's land and buildings between financial years would not have a direct impact on the council's day-to-day business because the council did not rely on its assets for security.
- Filing the council's statement of accounts late was unlikely to impact the council's ability to borrow. It was possible that bespoke borrowing arrangements could include stipulations about the statement of accounts, but the council had not been affected by this to date. The county council received an independent credit rating which provided an indication to counterparties as to the council's creditworthiness.

It was noted that there were some minor adjustments to be made to the statement of accounts which were due to be agreed by officers and the external auditor in February 2023.

Resolved: That

- i) The council's Statement of Accounts for 2021/22 be approved, subject to any minor changes being made by the end of February 2023;
- ii) The management representation letters for Lancashire County Council and Lancashire County Pension Fund be signed by the Chief Financial Officer and the Chair of the Audit, Risk and Governance Committee, prior to them being made available to the external auditor; and
- iii) The accounting policies for 2022/23 be approved.

7. Appointment of External Auditor

Khadija Saeed, Head of Corporate Finance presented a report which provided information on the appointment of Grant Thornton UK LLP as the council's external auditor for the period 2023/24 to 2027/28.

It was noted that the council would be consulted on the baseline audit fee for 2023/24, which was yet to be decided. It was also possible that additional costs would be added to the baseline fee, as with recent audits.

In response to a query about the recruitment challenges facing auditors, members were informed by Grant Thornton that, although operating in a fragile market, the local external audit team was stable. Securing a further five years as the county council's external auditor also provided Grant Thornton with time to recruit and train school leavers and graduates.

Resolved: That the appointment of Grant Thornton UK LLP as the council's external auditor for the period 2023/24 to 2027/28 be noted.



8. External Audit - Lancashire County Council Audit Findings Report 2021/22

Stuart Basnett, Audit Manager at Grant Thornton UK presented the Lancashire County Council Audit Findings Report for 2021/22, which had been updated since the committee meeting held 17 October 2022.

It was noted that the council's move to cloud-based Oracle Fusion may allow transactional information to be shared with the external auditor more efficiently. Due to its ongoing implementation, the benefits of Oracle Fusion were only likely to be felt from the 2023/24 audit onwards.

Grant Thornton expressed their thanks to the council's finance team for their cooperation and responses to the auditor's requests for information.

Resolved: That the Lancashire County Council Audit Findings Report 2021/22 be noted.

9. External Audit - Lancashire County Pension Fund Audit Findings Report 2021/22

Stuart Basnett, Audit Manager at Grant Thornton UK presented the Lancashire County Pension Fund Audit Findings Report for 2021/22, which had been updated since the committee meeting held 17 October 2022.

It was highlighted that the changes since October included the reclassification of some financial assets from level 2 to level 3, as set out in the report.

It was noted that, in addition to their own checks, Grant Thornton requested to see individual Fund Managers' reports on the controls and processes in place. This allowed the auditor to review whether management were identifying and responding to any control findings. Local Pensions Partnership Investment Limited had not agreed to share the results of their reviews with Grant Thornton, so the auditor had not been able to confirm that management had conducted the same reviews.

In response to a query about the £172m non-pooled investment directly held in property, members were informed that this was separate to the pooled property investment fund and instead related to properties held by the Lancashire County Pension Fund.

Resolved: That the Lancashire County Pension Fund Audit Findings Report 2021/22 be noted.

10. External Audit - Audit Progress Report and Sector Update - January 2023

Stuart Basnett, Audit Manager at Grant Thornton UK presented the Audit Progress Report and Sector Update, as of January 2023.

It was highlighted that the Auditor's Annual Report would be presented to the next committee meeting on 24 April 2023, including management's responses to the auditor's recommendations.



In response to a query about the Grant Thornton article on the financial risks facing councils in England, it was noted that the acuteness of the risk had been somewhat alleviated following news of the financial settlement from government.

CIPFA's recently published guidance, *Audit Committees: Practical Guidance for Local Authorities and Police*, would be shared with committee members after the meeting.

Resolved: That the Audit Progress Report and Sector Update for January 2023 be noted.

11. 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 2022/23, for the period to 31 December 2022.

In response to questions, the committee was informed that:

- Every audit, but especially those with moderate or limited assurance levels, would result in actions agreed with management. All services had responded positively to the Internal Audit Service's work, and all agreed actions were formally followed-up as part of the audit process.
- Approximately 78 pieces of audit work had been completed so far this year, which marked an increase on previous years. Any audits not started during 2022/23 would be included in the Audit Plan for 2023/24 and reported to the committee accordingly.
- The audit of CCTV had identified weaknesses that had developed due to the inconsistent application of the council's policies across different buildings and by different managers. The policies themselves were robust and the agreed actions would ensure their proper implementation in the future.
- The audit of corporate mandatory training had identified issues with the overall system for training provision, which made monitoring the delivery of training difficult. A procurement exercise was due to begin in March 2023 for a new learning management system, and more detailed timescales on this process could be shared with members after the meeting. Members were assured that all mandatory Health and Safety training and Information Governance training was completed, but the Internal Audit report had highlighted the need for consistency in how the training was delivered and monitored.
- In response to members' concerns about Special Guardianship Order – Financial Support, the audit findings had highlighted to teams in Children's Social Care and Exchequer Services that there were a number of problems in the administration of Special Guardianships resulting in payment issues. The agreed actions were



due to be implemented during 2023 and would be addressed by Children's Services as the lead department.

- The audit of school catering had provided substantial assurance because there were effective controls in place to mitigate the identified risks, but it was recognised that the sector continued to face procurement, supply chain and cost challenges. The full audit report could be shared with members after the meeting for further detail.
- It was noted that the audit of school catering had not included the potential risk of academisation, which could pose a risk to all school services provided by the council. Lots of work by officers and Cabinet and Lead Members was ongoing to look at the wider academisation project and maintain close links with new academies.

Members thanked officers for the helpful and informative report layout.

Resolved: That the Internal Audit Progress Report be noted.

12. Corporate Risk and Opportunity Register - Quarter 3 Update

Laura Sales, Director of Corporate Services presented the updated Corporate Risk and Opportunity Register for Quarter 3 of 2022/23.

It was highlighted that there were no significant changes to the risk register since Quarter 2. As requested at the committee's last meeting, the report included the new risks considered by the Executive Management Team with a risk score of 12 or higher, but which were not included on the Corporate Register due to their operational, rather than strategic, focus.

Regarding the risk Our Improvement Journey, it was noted that the Community, Cultural and Corporate Services Scrutiny Committee was due to consider a report on the Customer Experience workstream at its meeting on 9 March 2023. The newly appointed Executive Director of Resources, Mark Wynn, would continue the work of the Interim Executive Director of Resources, Lesley Ottery, on the council's Improvement Journey.

A written response to a query about increasing numbers of target risk confidence scores receiving a red rating would be provided after the meeting.

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

13. Code of Conduct - Annual Report of Complaints

Laura Sales, Director of Corporate Services presented a report which summarised all complaints received against county councillors under the Code of Conduct in 2022.

It was highlighted that the low number of complaints reflected the high standard of county councillors' conduct.



Resolved: That the summary of complaints received in 2022 be noted.

14. Urgent Business

None.

15. Date of Next Meeting

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 24 April 2023 at 2.00 pm at County Hall, Preston.

16. 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.

17. Appendix 'B' to Item 12 - Corporate Risk and Opportunity Register - Quarter 3 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 interests in disclosing the information).

The committee considered the private and confidential Appendix B to Item 12 – Corporate Risk and Opportunity Register – Quarter 3 Update.

Resolved: That Appendix B to Item 12 – Corporate Risk and Opportunity Register – Quarter 3 Update, be noted.

18. Review of Arrangements for the Oversight of Council Controlled Companies

(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 interests in disclosing the information).

Laura Sales, Director of Corporate Services presented a private and confidential report on the recent independent audit into the governance arrangements of council controlled companies, conducted by Veritau.

County Councillor Rob Bailey declared a non-pecuniary interest in this item as a Director of Active Lancashire.



The Chair expressed the committee's sincere thanks to Laura Sales, Director of Corporate Services for her work to support the committee and the county council.

Resolved: That

- i) The report, and plans for work on the recommendations to be undertaken by officers, be noted; and
- ii) A further report on officers' recommendations be presented at the next meeting of the Audit, Risk and Governance Committee on 24 April 2023.

L Sales
Director of Corporate Services

County Hall
Preston

