

Lancashire County Council

Audit, Risk and Governance Committee

**Minutes of the Meeting held on Monday 24th April 2023 at 2.00 pm in
Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

Present:

County Councillor Alan Schofield (Chair)

County Councillors

U Arif

J Shedwick

M Clifford

J R Singleton JP

J Couperthwaite

1. Apologies

Apologies were received from County Councillor Rob Bailey and County Councillor Julia Berry.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None.

3. Minutes of the Meeting held on 30 January 2023

Resolved: That the minutes of the Audit, Risk and Governance Committee meeting held on 30 January 2023 be confirmed as an accurate record.

Subsequently, the following points were clarified:

- Regarding Minute Item 9, External Audit – Lancashire County Pension Fund Audit Findings Report 2021/22, and the reference to Local Pensions Partnership Investment Limited's review of service auditor reports, for future audits Grant Thornton would ask to see evidence that management had conducted reviews of these reports.
- Regarding Minute Item 18, Review of Arrangements for the Oversight of Council Controlled Companies, a report would be presented to Cabinet on this matter at its meeting on Thursday 4 May. Following that, the requested report would be presented to the committee's next meeting on 24 July 2023.



- The further report on the overpayment of salaries had, with the Chair's agreement, been deferred to the next meeting of the committee on 24 July 2023.

4. **External Audit: Interim Auditor's Annual Report on Lancashire County Council 2021/22**

Sarah Ironmonger, Partner at Grant Thornton UK presented the Interim Auditor's Annual Report on Lancashire County Council for 2021/22.

It was noted that the report was interim until Grant Thornton finalised their audit opinion. No significant weaknesses in the council's arrangements had been identified, though the report included some improvement recommendations.

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

- Changes to the council's overview and scrutiny arrangements had been implemented during 2022/23, so the next year's audit would review these changes in more detail.
- The improvement recommendation relating to governance reflected that other local authorities shared more of their reports in public. Members were reassured that councillors and officers at Lancashire County Council had previously identified that the number of private (Part II) Cabinet reports was too high, and thus there had already been a notable improvement from 2022 onwards.

Resolved: That the auditor's findings on the council's arrangements for securing value for money in its use of resources, and the improvement recommendations made, be noted.

5. **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 20 March 2023.

It was highlighted that 82% of the audit plan had been completed or was in progress. Any outstanding work would be completed before the next committee meeting in July and inform the Head of Internal Audit's overall opinion. Any audits not started in 2022/23 would be included in the audit plan for 2023/24, either directly or in scope.

In response to questions, members were informed that:

- There was a financial element to the audit of Highways Equipment Hire, which had received limited assurance. Better processes and coordination of equipment would lower costs. The weaknesses identified were unlikely to increase the risk of an accident occurring, or to risk the council's reputation. The Highways Service was working towards improvements, which would be documented as part of the follow-up audit work.



- Additional information about the years to which the follow-up audit work related, including the severity of risks, would be provided after the meeting and could be included in future progress reports.

Resolved: That the Internal Audit Progress Report be noted.

6. Internal Audit's External Quality Assessment

Andy Dalecki, Head of Internal Audit presented the findings of the External Quality Assessment of the Internal Audit Service, which was undertaken by the Chartered Institute of Internal Auditors in February 2023.

In response to questions, members were informed that:

- External assessments were a statutory requirement and ensured internal audit teams met the required standards. Although benchmarking information was not available, the council had received fewer recommendations than would normally be issued following an assessment.
- The contract for specialist IT audit work was held by Mersey Internal Audit Agency, though the current contract would expire by 2024. It was important to expand the Internal Audit team's own IT knowledge, so that more work could be completed internally, and the team benefited from working closely with Mersey Internal Audit Agency colleagues.
- Regarding the second recommendation, there was not a confirmed date for a skills assessment; however, development of an internal skills strategy could be completed quickly.

The committee congratulated the Internal Audit Service on the positive review outcome.

Resolved: That the report on the External Quality Assessment, and actions proposed, be noted.

7. Internal Audit Annual Plan

Andy Dalecki, Head of Internal Audit presented the Internal Audit Annual Plan for 2023/24.

It was noted that recruitment and retention challenges were affecting the sector as a whole, but there were no concerns about filling the auditor post which was currently vacant.

Audit work included on the plan was not generally ordered based on severity of risk. Risk areas were already prioritised during the drafting of the plan and the service ensured good coverage of all risk areas, even in the event where some audits may get delayed.



Resolved: That the Internal Audit Annual Plan for 2023/24, as set out in the report, be approved.

8. The Council's Annual Governance Statement 2022/23 and Code of Corporate Governance 2023/24

Paul Bond, Head of Legal, Governance and Registration presented the council's draft Annual Governance Statement for 2022/23 and updated Code of Corporate Governance for 2023/24.

It was highlighted that the Annual Governance Statement included the Head of Internal Audit's provisional opinion for 2022/23, which had changed from moderate to limited assurance. This was primarily due to the implementation of Oracle Fusion and its impact on council services, particularly finance. A project was underway to identify and resolve issues relating to Fusion; however, at the time of the opinion this work was incomplete.

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

- 50% was a good response rate to the staff survey given the council's varied workforce, although more could be done to increase responses. The survey was anonymous and had been available to staff digitally and on paper.
- The council was actively working to address recruitment, retention and skills issues, such as through the development of a People Strategy, but these challenges were not unique to Lancashire County Council.
- Work was ongoing to increase school place provision across the county. The Children, Families and Skills Scrutiny Committee had recently agreed to hold an enquiry day to investigate these challenges in more detail, and members were encouraged to raise concerns through members of that committee.

Resolved: That

- i) The draft Annual Governance Statement for 2022/23, as presented, be approved for inclusion in the draft Statement of Accounts for 2022/23;
- ii) The Director of Law and Governance be authorised to make any subsequential changes to the Annual Governance Statement for 2022/23, in consultation with the Chair of the Audit, Risk and Governance Committee;
- iii) The signing of the Annual Governance Statement by the Chief Executive and the Leader of the Council, following final approval of the Statement of Accounts, be noted; and
- iv) The updated Code of Corporate Governance for 2023/24, as presented, be recommended to Full Council for approval.



9. Corporate Risk and Opportunity Register - Quarter 4 Update

Paul Bond, Head of Legal, Governance and Registration presented the updated Corporate Risk and Opportunity Register for Quarter 4 of 2022/23.

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

10. Local Member Grants Scheme Annual Report

Josh Mynott, Democratic and Member Services Manager presented the Local Member Grants Scheme Annual Report for the period January 2021 to September 2022.

The following additional information was also provided to committee members before the meeting:

	Total unspent	Carried forward by councillors (ie £200 and under)	Amount to care leavers / Looked after children
Jan - Mar 2022	£13,175	£7,600	£5,575
Apr 2022 - Mar 2023	£36,406	£8,216	£28,190

In response to questions, members were informed that:

- Officers were currently working to develop an enhanced system to support the processing of Local Member Grants. The suggestion to record how grants were awarded by theme would be considered as part of this work.
- The Community, Cultural and Corporate Services Scrutiny Committee had recently recommended that the Local Member Grants Scheme be expanded to allow applications from parish and town councils. This recommendation had been shared with the Cabinet Member for Community and Cultural Services for consideration.
- £200 of each councillor's annual budget could be carried over to the following year if unspent. Any other unspent funds were transferred to the Care Leavers / Looked After Children budget, so the money was not lost.

Resolved: That

- i) The Local Member Grants Scheme Annual Report be noted; and
- ii) A further report on the Local Member Grants Scheme be provided at the Audit, Risk and Governance Committee meeting on 16 October 2023, to include updated figures for 2022/23.



11. Urgent Business

None.

12. Date of Next Meeting

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

13. 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.

14. Appendix 'B' to Item 9 - Corporate Risk and Opportunity Register - Quarter 4 Update

(Not for Publication – Exempt information as defined in Paragraphs 3 and 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 9 – Corporate Risk and Opportunity Register – Quarter 4 Update.

It was noted that the target date included on page 217 should have been September 2023.

Resolved: That the Appendix B to Item 9 – Corporate Risk and Opportunity Register – Quarter 4 Update be noted.

15. Data and Analytics Risks

(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).

Mark Greenwood, Head of ICT Architecture and Data presented a private and confidential report on the risks associated with the council's use of data and analytics.

It was requested that an update on progress to address the risks outlined in the report be provided to the committee in 12 months' time. This would include some more specific target dates.



Resolved: That

- i) The report on data and analytics risks be noted; and
- ii) A further report on data and analytics risks be provided at the Audit, Risk and Governance Committee meeting on 22 April 2024, to include more specific target dates.

16. Oracle Fusion Data Breach

(Not for Publication – Exempt information as defined in Paragraphs 3 and 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).

Jo Winston, Information Governance Manager presented a private and confidential report on the Oracle Fusion data breaches reported to the Information Commissioner's Office and the steps taken by the county council in response.

It was noted that future matters of concern would be reported to committee.

Resolved: That

- i) The report on the Oracle Fusion Data Breach be noted; and
- ii) A further report on ongoing actions be provided at the Audit, Risk and Governance Committee meeting on 16 October 2023, or sooner if considered necessary by officers.

H MacAndrew
Director of Law and Governance

County Hall
Preston

