



Annual Report 2022/23

Audit, Risk and Governance Committee

Lancashire County Council

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 2022/23.

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. I should like to thank the Finance, Internal Audit and the External Audit teams.

I should like to take this opportunity to give my personal thanks to all the officers, my Deputy Chairman John Singleton 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.

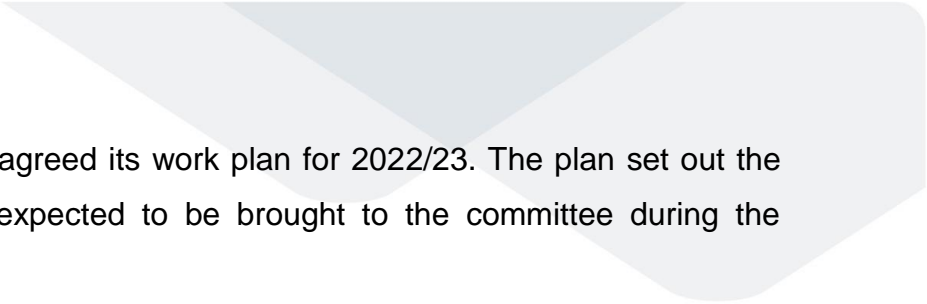
The key functions of the Audit, Risk and Governance Committee are defined within the Council's Constitution via the committee's Terms of Reference and are agreed each year at the first committee meeting following Full Council's Annual General Meeting. Any proposed changes recommended by the Committee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

In summary headings, the Committee's various Terms of Reference cover:

- Governance
- Risk Management and Control
- Internal Audit
- External Audit
- Financial reporting
- Accountability arrangements
- Treasury Management

Work Plan 2022/23





In July 2022, the Committee agreed its work plan for 2022/23. The plan set out the standard reports which are expected to be brought to the committee during the municipal year.

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



Key Activities

In this section the activities of the Committee during 2022/23 are summarised under the headings of the key functions.

Internal Control

The Audit, Risk and Governance Committee approved the Annual Governance Statement (AGS) for 2022/23 in April 2023 for inclusion in the draft Statement of Accounts. This included actions for 2023/24, within the following areas, to improve existing governance arrangements:

- Financial Sustainability
- Recruitment and Retention
- Demand for Services
- Our Improvement Journey
- School Places
- ICT Related Issues

The AGS also included a section setting out the governance arrangements for the Lancashire County Pension Fund (LCPF).

The Committee also received and considered updates in the following areas:

- Regulation of Investigatory Powers Act 2000 (*RIPA*)
- Update on the Overpayment of Salaries
- Review of Arrangements for the Oversight of Council Controlled Companies
- Local Member Grants Annual Report
- Data and Analytics Risks
- Oracle Fusion Data Breach



Regulation of Investigatory Powers Act 2000 (RIPA)

In October 2022, a private and confidential annual report was presented 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.

Update on the Overpayment of Salaries

In January 2022 the 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. A further report was provided at the next meeting of the committee that included information about the 2021/22 financial year and the amounts which had not been recovered to date. A further update was presented to committee at its meeting in October 2022.

Review of Arrangements for the Oversight of Council Controlled Companies

In January 2023, a private and confidential report on the recent independent audit into the governance arrangements of council-controlled companies was considered by the committee.

Local Member Grants Annual Report

In January 2023, the committee received and noted the Local Member Grants Scheme Annual Report for the period January 2021 to September 2022. It was requested that an updated report be provided to the committee in 6 months' time.

Data and Analytics Risks

In January 2023, a private and confidential report on the risks associated with the council's use of data and analytics was presented to committee. 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.

Oracle Fusion Data Breach

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 was reported to the committee in January 2023. It was noted that future matters of concern would be reported to committee.

Risk Management

During 2022/23 the committee received quarterly updates regarding the Corporate Risk and Opportunity Register. A training video setting out our approach to risk management had been produced for members. The Committee requested that it be informed of any risks that were considered for inclusion on the corporate register because they received a rating of 12 or above, but which were not agreed by Executive Management Team.

Internal Audit

In April 2023 the Committee agreed the Internal Audit Plan 2023/24, which provided members with the opportunity to challenge and influence the plan where they had identified areas of concern.

The regular update reports of the Head of Internal Audit to the Audit, Risk and Governance Committee have enabled emerging issues arising from Internal Audit activity to be considered on a timely basis, including where appropriate working with the senior officers to seek assurance that matters are being dealt with promptly and effectively.

As a result of the Oracle Fusion post implementation issues and data breaches, the Head of Internal Audit reported to the April 2023 meeting that his overall opinion was likely to be of limited assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control for 2022/23. This would be confirmed in the Annual Report.

As the Chairman of the Committee, I meet or communicate with the Head of Internal Audit without other officer's present as and when necessary and I am satisfied Internal Audit are free to carry out their duties without restrictions.



External Audit

The council's external auditors, Grant Thornton LLP, attended all the Committee meetings during 2022/23, 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 Interim Auditor's Annual Report on Lancashire County Council for 2021/22 in April 2023 as the External Auditor had not finalised their audit opinion. The Interim Annual Report highlighted several improvement recommendations regarding governance and financial sustainability, but no statutory or key recommendations. Officers at the county council provided a response to these recommendations before the Interim Annual Report was considered.

Ahead of the Committee meeting in January 2023, I met privately with the external auditors to discuss matters relating to their work. I have also attended the Public Sector Audit Appointments (PSAA) Local Audit Quality Forum webinar on sector-wide work to resolve the current audit backlogs, which took place on 3 July 2023.

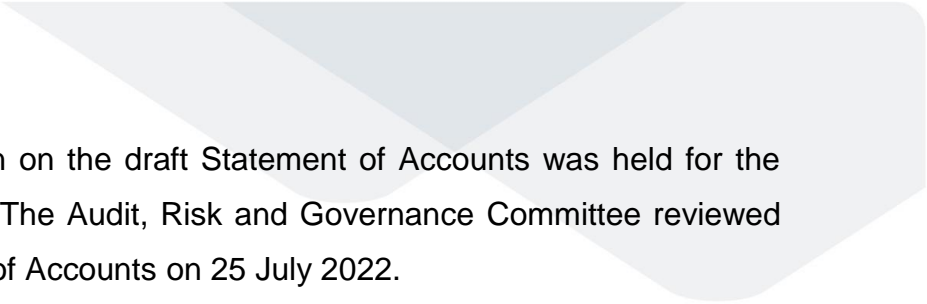
Fraud and Corruption

The Committee receive 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.

Annual Statement of Accounts

The Accounts and Audit (Amendment) Regulations 2021 required that the draft accounts for 2021/22 were published by 31 July 2022 and the audited accounts and opinion were published by 30 November 2022. The draft Statement of Accounts were certified by the Chief Finance Officer and published on the council's website on 23 May 2022, ahead of the statutory deadline.





A dedicated, informal session on the draft Statement of Accounts was held for the Committee on 12 July 2022. The Audit, Risk and Governance Committee reviewed and approved the Statement of Accounts on 25 July 2022.

Treasury Management

The Committee approved reports on Treasury Management throughout the year, exercising its stewardship role. The Committee reviewed:

- Treasury Management Activity 2021/22
- Treasury Management Activity 2022/23
- Treasury Management Strategy 2023/24 for recommending to Full Council

A training session for the Committee on Treasury Management was held on 23 June 2022, with another scheduled for 18 July 2023.

Governance

In January 2023, the committee received 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.

The Committee has not granted any dispensations from requirements relating to interests as set out in the Code of Conduct.

As referred to under Key Activities above, the Committee agreed the draft Annual Governance Statement (AGS) 2022/23 in April 2023. The AGS explains how the county council had complied with the Local Code of Corporate Governance. The Committee reviewed the Local Code of Corporate Governance 2023/24 at the same meeting and recommended it to Full Council for approval.



Membership, Meetings and Attendance

Audit, Risk and Governance Committee

The Audit, Risk and Governance Committee comprises eight elected members representing the two main political parties.

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 2022/23 the Chief Executive / Section 151 Officer, Executive Director of Resources / Section 151 Officer (this post established in-year), Director of Finance, Director of Corporate Services / Monitoring Officer, Director of Law and Governance / Monitoring Officer (there was a change of post in-year), Head of Legal, Governance and Registration / Deputy Monitoring Officer, Head of Internal Audit and Head of Corporate Finance routinely attended Committee meetings.

External Audit

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

Meetings

The Audit, Risk and Governance Committee met four times in 2022/23. The following table provides information about committee members' attendance at meetings and training sessions.



Meeting Date	Committee Members	Substitute Members	Absent Members *
25 July 2022	6	1	1
17 October 2022	7	0	1
30 January 2023	7	0	1
24 April 2023	6	0	2

* Including apologies with no substitute

Training Session	Committee Members	Non-Committee Members
Treasury Management 23 June 2022	3	2
Statement of Accounts 12 July 2022	4	2

At the time of this report, a training session on Treasury Management has been scheduled for 18 July 2023. An information session on the Statement of Accounts will also be arranged for a date to be confirmed.

A work programme has been agreed by the Committee. The programme will be reviewed when setting the agenda for each meeting and added to when appropriate to ensure ad-hoc requests by the Committee are reported.

