

Lancashire County Council

Audit, Risk and Governance Committee

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

Present:

County Councillor Alan Schofield (Chair)

County Councillors

J Berry

J Shedwick

M Clifford

J R Singleton JP

C Edwards

County Councillor N Aziz attended the meeting virtually via Microsoft Teams.

1. Apologies

The Chair welcomed everyone to the meeting.

Apologies were received from County Councillor J Couperthwaite following the close of the meeting.

2. Constitution, Membership and Terms of Reference

The committee considered a report detailing the membership, Chairmanship and Terms of Reference for the 2023/24 municipal year.

Regarding the possible appointment of opposition members as Chair or Deputy Chair of the committee, it was highlighted that both positions were agreed by the Full Council at its Annual Meeting in May.

Resolved: That

- i) The appointment of County Councillor A Schofield as Chair and County Councillor J Singleton as Deputy Chair of the Audit, Risk and Governance Committee for the 2023/24 municipal year be noted;
- ii) The membership of the committee following the county council's Annual Meeting held 25 May 2023 be noted; and

iii) The Audit, Risk and Governance Committee Terms of Reference be noted.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

In relation to Item 13, it was noted that the Chair, County Councillor Alan Schofield and County Councillor Charles Edwards were members of the Local Pensions Partnership Limited Board.

4. Minutes of the Meeting held on 24 April 2023

Resolved: That the minutes of the Audit, Risk and Governance Committee meeting held on 24 April 2023 be confirmed as an accurate record, subject to the first bullet point under Item 3 (Minutes of the Meeting held on 30 January 2023) being amended as follows:

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 individual fund manager's reports, for future audits Grant Thornton would ask to see evidence that management had conducted reviews of these reports.

5. Treasury Management Activity 2022/23

Mike Jensen, Director of Investment presented a review of the council's treasury management activities occurring in the financial year 2022/23 and the position at 31 March 2023.

It was highlighted that despite changes in the markets, the council's financial position had been well protected.

In response to a query about debt due to mature within the next 12 months, members were informed it was likely to be repaid rather than refinanced, thereby reducing the council's overall debt position. Any decisions to refinance would preferably be made once current interest rates had fallen.

Members thanked Mike and the treasury management team for their work over the last financial year. It was requested that future reports include a comparison with other local authorities, such as the one presented during the recent training session for committee members, to enable the committee to benchmark the council's performance.

Resolved: That the review of treasury management activity 2022/23, as presented, be noted.

6. Statement of Accounts 2022/23

Khadija Saeed, Head of Corporate Finance presented an update on the council's statement of accounts for the financial year 2022/23.



It was highlighted that publication of the statement of accounts had been delayed due to the implementation of a new accounting ledger in-year. Extra work relating to the ledger's implementation had been expected, however the transition to the new system had taken longer than planned.

In response to questions, members were informed that:

- The draft accounts were expected to be finalised and published by the end of July, and the committee would be asked to approve them at its meeting on 16 October 2023. There were still some reports to finalise relating to the reconciliation of sub-ledgers to the general ledger, but it was more likely than not that these reports and the accounts would be finalised within the month.
- The delay to publication would not have a direct impact on the council's credit worthiness, although publishing the accounts on time was important from a governance perspective. There was a clear explanation for this delay and the finance team were working hard to finalise the accounts as soon as possible.

Resolved: That the delay to the publication of the council's statement of accounts for the financial year 2022/23 be noted.

9. External Audit - Audit Progress Report and Sector Update

The Chair advised that Item 9 – External Audit – Audit Progress Report and Sector Update would be taken after Item 6 – Statement of Accounts 2022/23.

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

It was noted that the status of Interim Audit Findings on the table provided on agenda page 97 was incorrect and should have read 'not yet due'.

Resolved: That the Audit Progress Report and Sector Update for July 2023, as presented, be noted.

7. External Audit - Lancashire County Council Audit Plan 2022/23

Sarah Ironmonger, Partner at Grant Thornton UK presented the Lancashire County Council Audit Plan for 2022/23.

It was highlighted that the timing of the audit work was subject to ongoing dialogue with the council's finance team; it was important council officers were satisfied with the accounts before Grant Thornton started their work. The audit of the statement of accounts for 2022/23 had been delayed accordingly.

It was also noted that a number of additional fees had been included for the 2021/22 audit. The provisional 2022/23 fee was lower because the additional work in relation to the valuation of land and buildings was not expected to recur.

In response to questions, members were informed that:



- 'Clearly trivial' referred to errors identified during the audit which were not considered material to the auditor's overall opinion. The council's finance team would receive a full list of clearly trivial matters.
- When looking at governance arrangements over major projects, the auditors would focus on how the council manages the risks associated with those projects. It was recognised that sometimes local authorities could face difficulty relating to the management of major projects, and therefore this had been identified as a risk for the 2022/23 audit.

Members noted that the auditors needed flexibility to respond to changing issues and guidelines and that the 2022/23 audit fees were subject to increases depending on additional work required and with agreement from PSAA.

Resolved: That the Lancashire County Council Audit Plan 2022/23, as presented, be noted.

8. External Audit - Lancashire County Pension Fund Audit Plan 2022/23

Sarah Ironmonger, Partner at Grant Thornton UK presented the Lancashire County Pension Fund Audit Plan for 2022/23.

It was highlighted that work related to the Pension Fund's audit would start earlier than for the county council's audit so that Grant Thornton could provide district councils' auditors with the necessary assurances.

It was noted that the first paragraph line on agenda page 81 was incorrect and should have referred to Lancashire County Pension Fund.

In response to questions, members were informed that:

- In relation to the valuation of directly held property, the auditors would take into consideration the government's recent announcement and the impact on pension funds generally. Lancashire County Pension Fund's directly held property was also a relatively small proportion of the Fund's overall value.
- The Audit Findings Report for the Pension Fund would normally be presented alongside the report for the county council. It would be provided at a future committee meeting once finalised.

Resolved: That the Lancashire County Pension Fund Audit Plan 2022/23, as presented, be noted.

10. Internal Audit Progress Report

Andy Dalecki, Head of Internal Audit presented an update on the Internal Audit Service's work and outcomes for 2022/23, for the period to 27 June 2023.



In response to questions, members were informed that:

- During an audit, the issues and recommendations would be agreed with the relevant service to ensure they were helpful. Following that, management actions and an implementation date would be agreed; the agreed date would allow the service time to implement any changes and could vary depending on their complexity. A follow-up audit would take place after the implementation date to check the actions had been implemented as agreed. Progress in relation to this follow-up would be reported to the Audit, Risk and Governance Committee as part of the usual progress report (Section 5.3).
- As set out at Section 5.2 of the report, there was one outstanding high-risk audit from 2021/22. The work related to this audit would extend into 2023/24.

In response to concern about the audit of Older People Care Services – Financial Management and the issue of deposit monies being incorrectly held for up to 3 years, members were reassured that new actions had been agreed with the service and would be monitored as part of the follow-up audit. The Internal Audit Service welcomed the committee's support. It was requested that further information on this audit and the service's progress be provided at the next committee meeting on 16 October 2023.

Resolved: That the Internal Audit Progress Report, as presented, be noted.

11. Internal Audit Annual Report 2022/23

Andy Dalecki, Head of Internal Audit presented the Internal Audit Annual Report for 2022/23, which provided limited assurance overall regarding the adequacy of the effectiveness of the council's governance, risk management and control.

It was highlighted that:

- The overall assurance level had decreased since the previous year's annual report. Although the council generally adapted well to changes in its environment, the limited assurance level related to the significant impact of the Oracle Fusion programme, particularly in Quarter 4 and coinciding with end-of-year financial processes. The Oracle Fusion Project Board had been established promptly to address the implementation issues and there was no concern that progress to return the council's control environment to a strong position would not be achieved.
- The Internal Audit Service had completed more audits than in previous years, which reflected the team's hard work and the positive engagement from services across the council. Internal Audit had remained independent throughout the year and received support from the council's Executive Management Team.
- The Data Analytics Strategy was provided for members' information and to respond to a recommendation of the External Quality Assessment undertaken in February 2023.



In response to a query, members were informed that the service's work with outside organisations included Lancashire Constabulary, Lancashire Fire and Rescue Service, and Rossendale Borough Council. The service's resource was regularly evaluated to ensure the county council's internal audit work remained the priority.

Members commented that Local Pensions Partnership Investment Limited's internal audit function was provided by Deloitte. The suggestion for the audit titles and assurance levels provided by Deloitte being presented to the committee was under review.

The committee thanked the Internal Audit team for its work over the last year and commended the extent and coverage of the service's work.

Resolved: That the Internal Audit Annual Report for 2022/23, as presented, be noted.

12. Internal Audit Charter

Andy Dalecki, Head of Internal Audit presented the updated Internal Audit Charter, which had been amended to reflect the Internal Audit Service's approach to combatting and responding to financial crime.

Resolved: That the Internal Audit Charter, as presented, be approved.

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

Paul Bond, Head of Legal, Governance and Registration presented an update on the work undertaken to strengthen the county council's strategic management of its wholly or partly owned companies.

It was queried whether the Company Member Cabinet Committee's remit should include Local Pensions Partnership and members were informed this matter was currently being discussed by the Monitoring Officer and the Pensions Service.

It was noted that any reports to the committee about issues identified by the Company Member Cabinet Committee would include action plans to address those risks. The risks would also be reported as part of the Audit, Risk and Governance Committee's regular report to Full Council.

Resolved: That

- i) The information about the oversight of council controlled companies, in particular the role of the newly established Company Member Cabinet Committee, be noted; and
- ii) Any risks identified by the Company Member Cabinet Committee in relation to companies be reported to the Audit, Risk and Governance Committee as appropriate.



14. Corporate Risk and Opportunity Register – Quarter 1 Update

Paul Bond, Head of Legal, Governance and Registration presented the updated Corporate Risk and Opportunity Register for Quarter 1 of 2023/24.

It was highlighted that three risk entries relating to cyber security, the Oracle Fusion data breach, and Oracle Fusion post implementation issues contained exempt information and were included in Part II of the agenda.

Regarding Risk CORP2 – workforce recruitment and retention, it was noted that the table on agenda page 205 included a list of possible (rather than definite) causes and the wording would be amended in future reports accordingly. In response to concerns that drawing comparisons to BAE were unhelpful in this context, members were advised that in this case examples were provided to illustrate challenges faced by the council in recruiting to technical roles.

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

15. Chairman's Annual Report

County Councillor Alan Schofield, Chair of the Audit, Risk and Governance Committee presented the Chairman's Annual Report for 2022/23.

In addition to the information provided, it was highlighted that an External Quality Assessment of the Internal Audit Service had also been conducted in February 2023 and the positive review outcome had been reported to the committee in April 2023.

Resolved: That the Chairman's Annual Report for 2022/23 be noted.

16. Draft Work Plan 2023/24

The committee reviewed the draft work plan for the Audit, Risk and Governance Committee for 2023/24.

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

- The outcome of Internal Audit's Risk and Resilience Framework Review would be reported to the committee on 16 October 2023. This was a significant piece of work aimed at understanding the organisation's culture and linked to a wider review of the council's Constitution.
- The next report on the overpayment of salaries on 16 October 2023 would include the 2022/23 year-end position plus an update for Quarter 1 of 2023/24.
- The External Audit – Auditor's Annual Report would be scheduled for the committee meeting on 29 January 2024, to match Grant Thornton's target dates.



Resolved: That the Audit, Risk and Governance Committee work plan for 2023/24, as presented and reviewed, be noted.

17. Urgent Business

None.

18. Date of Next Meeting

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 16 October 2023 at 2.00 pm, at County Hall, Preston.

19. 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.

20. Appendix 'B' to Item 14

(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 interest in disclosing the information.)

The committee considered the private and confidential Appendix B to Item 14 – Corporate Risk and Opportunity Register – Quarter 1 Update.

Resolved: That

- i) Appendix B to Item 14 – Corporate Risk and Opportunity Register – Quarter 1 Update, be noted; and
- ii) A specific report on Risk CORP6 – cyber security be provided at a future committee meeting, following discussion with the service.

21. Counter Fraud, Special Investigations and Whistleblowing Annual Report

(Not for Publication - Exempt information as defined in Paragraphs 2, 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 interest in disclosing the information.)

Peter Walker, Investigations Manager and Money Laundering Reporting Officer presented a private and confidential report outlining the current fraud risk landscape,



a summary of fraud investigations completed and whistleblowing complaints received in 2022/23, and details of the Internal Audit Service's ongoing and planned anti-fraud work.

It was requested that future reports include information about the time spent investigating whistleblowing complaints and, where possible, the actions taken following complaints not upheld.

Resolved: That the Counter Fraud, Special Investigations and Whistleblowing Annual Report be noted.

H MacAndrew
Director of Law and Governance

County Hall
Preston

