



Inquires of Management

This work program is used to document the results of certain inquiries of management

Inquiry	Management response
General Inquiries of Management	
What do you regard as the key events or issues that will have a significant impact on the financial statements for the period end?	The council has seen a significant and positive change in the valuation of its pensions payable, which is reflected as an asset in the accounts, previously a liability.
<p>Have you considered the appropriateness of the accounting policies adopted by Lancashire County Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>The accounting policies have been reviewed, and the policies to be adopted for the 2022/23 accounts were approved by the Audit, Risk and Governance committee in January 2023.</p> <p>There have been no events or transactions that have caused a change to the accounting policies.</p>
Is there any use of financial instruments, including derivatives? If so, please explain	<p>Yes, the financial instruments recognised in the Comprehensive Income and Expenditure Statement are detailed in a note to the statement of accounts. These include:</p> <ul style="list-style-type: none"> - Financial assets and liabilities at amortised cost - Other financial assets measured at fair value
Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No.
Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No.
Are you aware of any guarantee contracts? If so, please provide further details	The council provides a pension indemnity to its wholly owned companies: Active Lancashire and Marketing Lancashire.

Are you aware of the existence of loss contingencies and/or unasserted claims that may affect the financial statements? If so, please provide further details	The council sets aside a provision for self-insured unasserted claims, and these claims are subject to an actuarial valuation every three years.
Other than in house solicitors, can you provide details of those solicitors utilised by Lancashire County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The county council utilises external solicitors and counsel on a range of issues. The litigation team within the council's legal services deals with on-going claims and litigation on issues such as highways, child protection and employment matters. The council maintains extensive records relating to both historic and current cases.
Have any of Lancashire County Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No material issues reported.
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	As a large and complex organisation, the council uses a wide range of internal and external advisors to support the proper discharge of its responsibilities.
Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes, trade receivable is identified as requiring a credit loss provision, as required under IFRS 9. The council provides for those outstanding debtor balances that are not expected to be collected.
Fraud	
Has Lancashire County Council assessed the risk of material misstatement in the financial statements due to fraud?	<p>The impact of risks on the council's financial sustainability is reviewed through the council's corporate risk register.</p> <p>The council has a robust system of governance through its frameworks of governance, risk management and control that seek to mitigate risk of fraud in the first instance.</p> <p>The council's senior management and political leadership regularly receive reports on the council's current and longer-term financial position.</p>
How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?	The council employs an investigator who reports to the Head of Internal Audit. That individual undertakes proactive counter fraud work, in particular directing the council's participation in the National Fraud Initiative, monitors and responds to the financial whistleblowing help-line, and undertakes investigations in accordance with the council's Fraud Response Plan.
How do the Council's risk management processes link to financial reporting?	Financial reports are produced routinely on a monthly basis with an annualised forecast produced by budget holders with support from the finance team for more complex service areas such as adult social care.

	<p>Budgets are composed on a hierarchical basis, such that the level of reporting from detail to corporate summary can be obtained dependant on need.</p> <p>The financial position is reported to Cabinet on a quarterly basis, which provides a commentary on the main risks and opportunities to date. Particularly focussing on the high value and demand led services such as waste, children and adult's social care.</p> <p>Corporate accountability for budgets is held at Director and Heads of Service levels, allowing for corrective actions to be employed effectively at an appropriate scale.</p> <p>The council continues to look to improve the integration of reporting across finance, performance and human resources such as to further support risk management outcomes.</p>
<p>Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Lancashire County Council as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>At this point there have been no significant instances of fraud, error, or other irregularity identified during the period either singly or collectively.</p>
<p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Internal Audit service provides a progress report to each meeting of the Audit, Risk and Governance Committee that highlights any unmitigated risks arising from the audit work undertaken. The committee has a record of interest in such matters and periodically invites directors to explain their responses to the risk issues raised and provide assurance regarding the action being taken.</p> <p>In a normal year all services update their risk and opportunity registers quarterly, these are assessed by the Deputy Monitoring Officer, and a corporate risk and opportunity register prepared and presented to the Corporate Management Team. This corporate risk and opportunity register is then reported to both the Cabinet Committee for Performance Improvement and Audit, Risk and Governance Committee on a quarterly basis.</p>
<p>The Council's communication, if any, to employees regarding their views on business practices and ethical behaviour</p>	<p>There are several mechanisms that include:</p> <ul style="list-style-type: none"> - Induction - Intranet pages - Staff notices - Cascade briefings - Performance Development Reviews - Bite sized briefings

	<ul style="list-style-type: none"> - Specific training - Staff conferences - Blogs - Videos - Whistle-blowing helplines addressing both financial and non-financial matters
Whether any fraud has been raised by employees or other parties	No material items reported
<p>Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Lancashire County Council where fraud is more likely to occur?</p>	No material and unaddressed risks identified
<p>How do you assess the overall control environment for Lancashire County Council, including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The frameworks of governance, risk management and control are subject to assurance through the three lines of defence operated by the council's service managers, assurance functions and internal audit, which functions independently and regularly reports to those charged with governance. Further, a range of external regulators assess whether the control environment is working effectively, from the Care Quality Commission and Ofsted to the Driver and Vehicle Standards Agency.</p> <p>The Head of Internal Audit has provided favourable assurance over the council's control environment in recent years. The work to support this has included audits of the council's financial controls including those designed to manage the risk of fraud.</p>
Are there any areas where there is potential for misreporting? If so, please provide details	The council's committee decision-making reports are subject to an internal clearance process, requiring legal and financial clearance as a minimum, thus reducing the risk of misreporting through professional oversight.
<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	The decision-making abilities of the most senior positions in the organisation would mean that these posts have the greatest ability to pose a fraud and corruption risk, however the council's scheme of delegation and professional oversight of committee decision-making allows these risks to be mitigated.

<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>There is a range of relationships between the council and other organisations within the county and therefore the potential for these relationships to be used inappropriately. However, the only scope for significant fraud lies with post-holders who have procurement, contract management or commissioning responsibility as well as post holders at the level of a Head of Service or Director and it is expected that these individuals will operate within the seven principles of public life. Further, the council maintains a register of interests and any related parties should be clearly identified by post-holders to their line managers.</p> <p>No relationships are known to the council that could give rise to instances of fraud.</p>
<p>What arrangements are in place to report fraud issues and risks to the Audit, Risk and Governance Committee?</p> <p>How does the Audit, Risk and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Improvements to the monitoring and recording of Whistleblowing allegations have been made during 2022/23, with all Whistleblowing allegations being reported to Internal Audit who keeps one central record of the allegations and investigation outcomes. These are then reported to the Audit, Risk and Governance committee in an annual report on counter fraud, investigations and whistleblowing activity.</p> <p>There have been very few investigations or whistleblowing activities during 2022/23.</p>
<p>Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There have been 34 whistleblowing complaints during the year. 32 have been closed and the underlying allegations not upheld/unsubstantiated. Two allegations have been upheld and appropriate HR action has been taken. Neither allegation related to fraud or other criminal acts.</p>
<p>Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>
<p>Related Parties</p>	
<p>Have there been any changes in the related parties including those disclosed in the previous years' financial statements?</p> <p>If so please summarise:</p> <p>the nature of the relationship between these related parties and Lancashire County Council</p> <p>whether Lancashire County Council has entered into or plans to enter into any transactions with these related parties</p> <p>the type and purpose of these transactions</p>	<p>There have been no changes to the related parties to date.</p>

What controls does Lancashire County Council have in place to identify, account for and disclose related party transactions and relationships?	<p>The group boundary assessment is updated annually by officers in legal and democratic services.</p> <p>All members and senior officers are required to complete a related parties disclosure each year.</p> <p>Enquiries are made across finance teams to identify any new related party entities.</p>
What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The council's related parties in the main are its owned companies, that operate under the direction of their own Board of Directors transacting with the council through the council's normal decision-making processes.
Whether the entity entered into any transactions with these related parties during the period	Related party transactions are reported in the relevant section of the statement of accounts.
Going concern	
What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Lancashire County Council will no longer continue?	<p>The council's services are subjected to relevant inspections and external reviews, benchmarked to other organisations where relevant.</p> <p>The council monitors its performance regularly through its performance management framework.</p> <p>The council monitors its overall financial position monthly and reports the position to Cabinet quarterly.</p>
Are management aware of any factors which may mean for Lancashire County Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No.
With regard to the statutory services currently provided by Lancashire County Council, does Lancashire County Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Lancashire County Council to cease to exist?	Lancashire County Council expects to continue to deliver statutory services for the foreseeable future.
Are management satisfied that the financial reporting framework permits Lancashire County Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, annually the council provides an assessment of the assumption of going concern to the external auditor.
Litigation and Claims	

Has management identified possible litigation and claims which may give rise to a risk of material misstatement?	The council sets aside a provision for self-insured unasserted claims, and these claims are subject to an actuarial valuation every three years.
What arrangements does management have in place to identify, evaluate and account for litigation or claims?	<p>The county council identifies litigation and claims from several sources that include service managers, external bodies serving notice and individuals submitting claims through established claims procedures. The litigation team within the council's legal services deals with on-going claims and litigation on issues such as highways, child protection and employment matters. The council maintains extensive records relating to both historic and current cases.</p> <p>The council generally self-insures for claims up to £1m, above which insurance is procured. A provision is held on the council's balance sheet to cover the accruing liabilities based on an external actuarial valuation.</p>
Laws and Regulations	
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Lancashire County Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the [type of body]'s regulatory environment that may have a significant impact on the [type of body]'s financial statements?</p>	<p>There are a number of policies and procedures that are available to all employees via the intranet. These include:</p> <ul style="list-style-type: none"> - The constitution - Scheme of delegation - Political decision making arrangements - Assurance statements <p>This is supplemented by internal audit reviews.</p> <p>There were no changes to the council's regulatory environment in 2022/23 that may have a significant impact on the council's financial statements.</p>
How is the Audit, Risk and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	All committee reports are required to undergo an internal clearance process whereby relevant input is obtained from finance, legal, procurement, HR and other support services, before decisions are taken.
Is management aware of any non-compliance with any laws and regulations?	No material issues identified.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No material issues reported.
Accounting Estimates	
What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Fair value estimations relating to property and pensions.

How does the Council's risk management process identify and address risks relating to accounting estimates?	The accounting policies are reviewed annually by the Audit, Risk and Governance committee which considers the approach to accounting estimates in light of current issues and regulatory requirements.
How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The corporate finance team employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise their professional judgement in determining the most appropriate accounting estimates.
How do management review the outcomes of previous accounting estimates?	The corporate finance department employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise professional judgement in determining the most appropriate accounting estimates.
Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	No.
How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The corporate finance department employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise professional judgement in determining the most appropriate accounting estimates.
How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The corporate finance department employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise professional judgement in determining the most appropriate accounting estimates.
How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	The corporate finance department employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise professional judgement in determining the most appropriate accounting estimates.
What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: Management's process for making significant accounting estimates The methods and models used The resultant accounting estimates included in the financial statements.	See Appendix A
Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	None to date

<p>Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>The approaches are compliant with the CIPFA code of practice.</p>
<p>How is the Audit, Risk and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate?</p>	<p>The corporate finance department employs a team of suitably qualified and experienced accountants who can commission the work of experts as well as exercise their professional judgement in determining the most appropriate accounting estimates.</p> <p>The accounting policies are reviewed annually by the Audit, Risk and Governance committee which considers the approach to accounting estimates in light of current issues and regulatory requirements.</p>

Appendix A

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	<p>The council's internal valuers provide valuations as at 1 April based on a three-year rolling programme of valuations. In addition, high value assets are valued annually.</p> <p>Assets valued using the depreciated replacement cost method are revalued based on cost prices at 31 March.</p>	Internal professional review.	<p>The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.</p> <p>External valuations have been obtained for the waste facilities.</p>	<p>The balance of assets not revalued in year are reviewed by applying local movement in prices and appropriate cost indices to ensure that the value of the council's assets are not materially misstated at the balance sheet date.</p> <p>A variation of 10% in the value of the council's land and buildings is stated in the accounts.</p>	No.
Group Investment property valuations	The council's company LCDL re-values is property assets annually through external valuers	Internal professional review.	The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.	The value of the property assets will be driven by the demand for the assets of this nature.	No.
Depreciation	Depreciation is calculated based on the useful lives of the assets as set out in the accounting policies.	Internal professional review.	The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques.	An assessment is made of the impact of a change of one year in the useful lives of the assets.	No.

PFI Liabilities	PFI model	Internal professional review.	No.	The PFI models are updated each year in line with RPI.	No.
Valuation of defined benefit net pension fund liabilities	The net liability to pay pensions is calculated every three years with annual updates in the intervening years.	Internal professional review.	Yes. A firm of consulting actuaries (Mercer) is engaged to provide the Council with expert advice about the assumptions to be applied.	Changes to underlying assumptions can result in significant variances in the calculated liability. The assumptions and complex judgements applied include the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	No.
Fair Value Investment estimates	Dependant on the specific investment.	Specialist review through the council's external advisors, Arlingclose.	Dependant on the specific investment.	Dependant on the specific investment.	No.
Fair value liability estimates	Dependant on the specific liability.	Specialist review through the council's external advisors, Arlingclose.	Dependant on the specific liability.	Dependant on the specific liability.	No.
Provisions	Actuarial valuation of the insurance provision is carried out every three years.	Claims handling and record keeping carried out through the council's internal legal team who use the information to identify any relevant trends and/or regulatory changes.	An actuarial valuation is carried out by AJ Gallaghers.	The council's claims history and records form the basis of the actuarial valuation and is used as a basis of evaluating the need for alternative estimates.	No.
Accruals	Management accounting models and business information.	Internal professional review.	The finance team is able to commission experts where considered necessary due to complexity and/or risk.	Dependant on the nature of the accrual.	No.
Credit loss and impairment allowances	Historic debt collection records are used to model collection rates per client categories.	Internal professional review.	The finance team is able to commission experts where considered necessary due to complexity and/or risk.	The council's debt collection history and records form the basis of the estimates and is used as a basis of evaluating the need for alternative estimates.	No.