

Lancashire County Council

Audit, Risk and Governance Committee

**Minutes of the Meeting held on Monday 16th October 2023 at 2.00 pm in
Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

Present:

County Councillor Alan Schofield (Chair)

County Councillors

N Aziz	C Edwards
M Clifford	J Shedwick
J Couperthwaite	J R Singleton JP

1. Apologies

Apologies were received from County Councillor Julia Berry.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None.

3. Minutes of the Meeting held on 24 July 2023

Resolved: That the minutes of the Audit, Risk and Governance Committee held on 24 July 2023 be confirmed as an accurate record.

Subsequently, it was noted in relation to Minute Item 16 that the expected reports on the overpayment of salaries and the Risk and Resilience Framework Review had not been included in the meeting agenda and would instead be presented at the next committee meeting on 29 January 2024.

4. Approval of the Council's Statement of Accounts for 2022/23

Khadija Saeed, Head of Corporate Finance presented the 2022/23 Statement of Accounts for Lancashire County Council and Lancashire County Pension Fund for the committee's approval.

It was highlighted that:

- The Statement of Accounts had been published in early September for public inspection, which was outside of the statutory period due to delays caused by the implementation of Oracle Fusion.
- There was a significant change in the Pension Fund's valuation compared with 2021/22, due to a change in the actuaries' valuation of employee benefits.

In response to questions, members were informed that:

- The variation in the Pension Fund's valuation did not increase the council's usable reserves.
- In relation to the 2021/22 accounts the audit was now completed. Delays to the audit of local authority statement of accounts was a national issue. The valuation of pension funds and the valuation of land and buildings produced complex balances which could be time consuming to audit and were areas being looked at by regulators as to how they should be audited in future.

Members thanked officers for their explanation of the statement accounts at the briefing for all county councillors, which was held on 28 September 2023.

Resolved: That the 2022/23 Statement of Accounts for Lancashire County Council and Lancashire County Pension Fund, as presented, be approved.

5. Response to the Information Request of the External Auditor

The committee considered the proposed management response to the external auditor's request for information for 2022/23.

Resolved: That the management response to the external auditor's information request, as presented, be approved.

6. 2023/24 External Audit Fee Scale

Neil Kissock, Director of Finance presented a report which set out the proposed external audit fees payable by the council for 2023/24.

It was highlighted that Public Sector Audit Appointments would confirm the new fees by 1 December 2023, following their consultation exercise. The proposed fee increase was viewed in the context of national issues and pressure in the audit market.

In response to questions, members were informed that:

- The proposed fee increase was not expected to change, but the council was awaiting confirmation of the consultation outcome.



- External auditors' fees were set by Public Sector Audit Appointments. Six audit firms had been awarded contracts for local authorities during the latest tender process, with the largest proportion being awarded to Grant Thornton.
- If the county council appointed outside of Public Sector Audit Appointments' scheme, it may still need to appoint one of the large auditing firms and may face challenges in setting up the necessary processes to appoint an auditor.
- The complexity of auditing work required increased capacity and skillset in the auditors' teams, but also placed pressure on the council's finance team.
- The proposed fee increase was intended to cover expected additional audit work and therefore negate the need for continued additions to fees at the year end. This could not be guaranteed, although Public Sector Audit Appointments was looking to strengthen its arrangements around additional fees and opting into their scheme helped to manage these risks to the council.

Stuart Basnett, Audit Manager at Grant Thornton UK provided wider context for the proposed fee increase, including that audit fees had been reduced significantly in 2012/13 and again in 2018/19; meanwhile, auditing requirements had become more complex and scrutiny of auditors' work had increased. The proposed fee for 2023/24 onwards would return audit fees to a similar level to pre-2012.

Resolved: That Public Sector Audit Appointments' fee proposal and the county council's response to the consultation be noted.

7. External Audit: Progress Report and Sector Update

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

It was highlighted that:

- A full audit team was in place, however timescales to deliver the audit work were in part dependant on resources available within the council's finance team.
- The audit of the Pension Fund's accounts had started in July and progressed over summer. There was some additional information required before the auditors could complete their work.

In response to a query, members were reassured that Lancashire County Council and the work of the council's finance team were in a good position compared to many other local authorities. Delays to the audit's progress related to national issues.

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



8. 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 24 September 2023.

In response to the committee's previous request that an update be provided on the audit of Older People Care Services – Financial Management, it was highlighted that the service had agreed to update its procedures and, following that, training and guidance would be shared with staff. The service was also reviewing its records to ensure that any deposits held for too long would be identified and returned. The date for these actions to be implemented was 31 March 2024, at which point the services' progress would be reviewed in the follow-up audit work.

It was also highlighted that:

- Three audits had received limited assurance. In relation to Older People's Finances at care homes, the service planned to review all their procedures before any other care homes were audited, to allow time for improvements. Therefore, some audit work had been delayed to allow for this to take place.
- The audit of Direct Payments had been a significant piece of work, aimed at achieving consistency and implementing best practice across several services. This area was a challenge for all local authorities, but a cross-service action plan would be developed to drive improvements.
- A wider review of management actions in response to Internal Audit's recommendations would be undertaken and an update provided to the committee at its next meeting.

In response to questions, members were informed that:

- Regarding the audit of Direct Payments, there had not been problems with payments to residents. The issues related to following policies and guidance and maintaining records, to control the risk of potential fraud. The services' progress to implement Internal Audit's recommendations would be followed-up and reported to the committee as usual. Members highlighted the importance of direct payments to Lancashire's residents and were reassured that the service would not become difficult to access, as most of the recommended changes affected internal processes.
- Workload pressures across different services had impacted the Internal Audit team's progress, so the Internal Audit Plan would be revisited to ensure priority work did not get missed. The team's outsourced work did not negatively impact their audits of county council services. It was still envisioned that sufficient work would be completed within the financial year to inform a reliable audit opinion.
- The Internal Audit team were working with Local Pensions Partnership Investments Limited to gain an understanding of the company's internal audit reports, provided by Deloitte. A summary of these reports would be provided to



the committee at its next meeting. In relation to this point, County Councillor Alan Schofield and County Councillor Charlie Edwards declared a non-pecuniary interest, due to their roles as Non-Executive Directors of Local Pensions Partnership Limited.

Resolved: That the Internal Audit Progress Report be noted.

9. Local Member Grants Scheme - Update Report

Josh Mynott, Democratic and Member Services Manager presented an update report on the outcomes of the Local Member Grants Scheme monitoring activity carried out by Democratic Services, for the period January 2021 to March 2023.

In response to a query about applications from organisations that did not meet the scheme's criteria, members were informed that thorough checks were carried out and, if needed, the applicants were contacted for further information before their application was passed onto the local county councillor for a decision.

It was recommended that, where no response or evidence is received from an organisation, Democratic Services should inform the appropriate county councillor so that they can contact the organisation, support them to provide evidence of expenditure, and take informed decisions to award Local Member Grants in future.

Members thanked Democratic Services for the well-run and uncomplicated scheme and agreed to receive a further update at the committee's next meeting.

Resolved: That

- i) The Local Member Grants Scheme – Update Report for January 2021 to March 2023 be noted;
- ii) Democratic Services be asked to inform the appropriate county councillor when organisations do not provide evidence of expenditure for their Local Member Grant; and
- iii) A further report on the Local Member Grants Scheme be provided at the Audit, Risk and Governance Committee meeting on 29 January 2024, to include updated figures for 2021/22 and 2022/23.

10. Corporate Risk and Opportunity Register - Quarter 3 Update

Heloise MacAndrew, Director of Law and Governance presented the updated Corporate Risk and Opportunity Register for Quarter 3 of 2023/24.

It was noted that four risk entries relating to cyber security, the Oracle Fusion data breach, Oracle Fusion post implementation issues, and Building Schools for the Future contained exempt information and were included in Part II of the agenda.

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



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 29 January 2024 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 10

(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 10 – Corporate Risk and Opportunity Register – Quarter 3 Update.

Resolved: That Appendix B to Item 10 – Corporate Risk and Opportunity Register – Quarter 3 Update, be noted.

15. RIPA Policy - Annual Review

(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 interest in disclosing the information.)

Chris Wilkinson, Trading Standards Manager presented a private and confidential annual report 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.

It was requested that the outstanding information relating to requests to access communications data over the last 12 months be provided after the meeting.

It was noted that references in the policies to the Director of Corporate Services needed updating to the Director of Law and Governance.



Resolved: That, subject to the incorrect Director references being amended,

- i) The Corporate Policy and Guidance on the Regulation of Investigatory Powers Act 2000, as presented, be approved;
- ii) The Shadow RIPA Surveillance Policy, as presented, be approved; and
- iii) The Covert Social Networking Checks and Surveillance Policy, as presented, be approved.

16. Oracle Fusion Data Breach - Update

(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).

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

Resolved: That

- i) The report on the Oracle Fusion Data Breach be noted; and
- ii) Further updates in relation to ongoing actions and the work of the Oracle Fusion Steering Group be provided at a future committee meeting to be agreed.

H MacAndrew
Director of Law and Governance

County Hall
Preston

