



# **Chairman's Annual Report 2023-24**

Audit, Risk and Governance Committee



## 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 2023-24.

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 and Commerce, Law and Governance and 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 set out in its Terms of Reference, which form part of the [Council's Constitution](#). The Terms of Reference are noted each year at the first committee meeting following Full Council's Annual General Meeting. Any proposed changes to the Terms of Reference recommended by the committee would need to be ratified by Full Council.

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

- Governance
- Risk Management and Control
- Internal Audit
- External Audit
- Financial Reporting
- Accountability Arrangements
- Treasury Management



## Work Plan

In July 2023, the committee agreed its draft work plan for 2023-24. The plan set out the standard reports which were expected to be brought to the committee during the municipal year. It was noted that during the year, the committee would also identify other areas and issues to consider as appropriate.

## Key Activities

The key activities of the committee during 2023-24 are summarised below.

### Governance

The Audit, Risk and Governance Committee approved the Annual Governance Statement for 2023-24 in April 2024, for inclusion in the draft Statement of Accounts. The Statement explains how the council has complied with its Code of Corporate Governance and included actions in the following areas for 2024-25, to improve existing governance arrangements:

- Financial sustainability
- Workforce
- Promoting independence and reducing demand
- Customer centric service delivery
- School places
- ICT-related issues
- Building Schools for the Future

The Annual Governance Statement also set out the governance arrangements for the Lancashire County Pension Fund and summarised the new officer governance board framework which had been introduced in-year to enhance the work of the council's management team to ensure strong governance.

At the same meeting, the committee reviewed the Code of Corporate Governance 2024-25 and recommended it to Full Council for approval.



In January 2024, the committee received a report which summarised all complaints received against county councillors under the Code of Member Conduct in 2023. It was highlighted that the low number of complaints reflected the high standard of county councillors' conduct.

The Conduct Committee did not meet during 2023-24, nor were any dispensations from requirements relating to interests granted, as set out in the Code of Member Conduct.

### Risk Management and Control

During 2023-24 the committee received quarterly updates regarding the Corporate Risk and Opportunity Register. Further to its previous request, the committee was also provided with information about risks considered for inclusion on the corporate register because they had received a rating of 12 or above, but which were not agreed by the Executive Management Team / Compliance and Assurance Board.

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

#### *Fraud and Corruption*

The committee received regular updates from the Head of Internal Audit relating to matters of suspected fraud, including investigations. In July 2023 the committee also considered the private and confidential Counter Fraud, Special Investigations and Whistleblowing Annual Report, plus a similar update report in January 2024, which set out the crime landscape facing the council and provided a summary of recent counter financial crime work.

#### *Oversight of Council Controlled Companies*

In July 2023 the committee received a report on the work undertaken to strengthen the council's strategic management of its wholly and partly owned companies, following the report and recommendations of an independent auditor. The committee noted the report and agreed that any risks identified by the new Company Member



Cabinet Committee in relation to companies should be reported to the Audit, Risk and Governance Committee as appropriate.

#### *Regulation of Investigatory Powers Act 2000*

In October 2023, a private and confidential report was presented on the Regulation of Investigatory Powers Act 2000 (RIPA), including an update on the council's use of RIPA and the updated RIPA policies for the committee's approval.

#### *Oracle Fusion Data Breach*

A private and confidential report was presented to the committee in October 2023 to provide 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. It was agreed that further updates in relation to the work of the Oracle Fusion Steering Group be provided in future.

#### *Local Member Grants Scheme*

Following the first Local Member Grants Scheme Annual Report in April 2023, the committee considered update reports in October 2023 and January 2024, covering the period from January 2021 to June 2023. The committee also received and noted the next Annual Report in April 2024 and requested that a six-monthly update report be added to the committee's work plan for 2024-25.

#### *Risk and Resilience Framework*

In January 2024 the committee received a report on the findings of the council's assessment of governance risks against the Centre for Governance and Scrutiny's Governance Risk and Resilience Framework. The committee agreed that another review should be carried out following the next county council election.

#### *Overpayment of Salaries*

In January 2024, a private and confidential report was presented to update the committee on improvements to the county council's payroll leavers controls and information about the 2022-23 and 2023-24 financial years. The committee would continue to monitor the position, with a further update to be presented at its meeting in July 2024.



### *Cyber Security Risks*

The committee received a private and confidential report on cyber security in January 2024, to provide assurance on the council's current risk management arrangements. The committee noted the update and agreed to receive an update in twelve months' time.

### *Lancashire Culture and Sport Fund*

The committee received and noted the Annual Report of the Lancashire Culture and Sport Fund in April 2024, for the period December 2022 to April 2024.

### Internal Audit

In April 2024 the committee agreed the Internal Audit Plan 2024-25, which provided committee members with the opportunity to challenge and influence the plan where they had identified areas of concern. This included the value for money and efficiency of highways repairs, which the committee asked the Head of Internal Audit to discuss further with the Director of Highways and Transport.

Over the last year the Head of Internal Audit has also provided the committee with regular update reports on the work of the Internal Audit Service. These reports have enabled the committee to consider emerging issues in a timely manner, including working with senior officers where appropriate to seek assurance that matters are being dealt with promptly and effectively.

The Head of Internal Audit reported to the committee at its April 2024 meeting that his overall opinion was likely to give moderate assurance regarding the adequacy of design and effectiveness in operation of the council's frameworks of governance, risk management and control for 2023-24. This marks an improvement from 2022-23 when the opinion was limited due to the issues concerning the implementation of Oracle Fusion. The overall opinion would be confirmed in the Head of Internal Audit's Annual Report, due to be presented in July 2024.

As Chairman of the Audit, Risk and Governance Committee, I meet or communicate



with the Head of Internal Audit and without other officers present, as and when necessary, and I am satisfied that that Internal Audit Service is free to carry out its duties without restrictions.

### External Audit

The council's external auditors, Grant Thornton UK, attended all committee meetings during 2023-24 to provide regular updates on their work and any matters arising. In addition, they have provided the committee with sector updates that highlight key themes, issues and priorities for local government. These updates have been well received and are very helpful to the committee.

In October 2023, the committee noted a report from the Director of Finance on the proposed external audit fees payable by the council for 2023-24. The fee had increased to cover expected additional audit work relating to the council's accounts and more complex auditing requirements.

The committee received and reviewed the Interim Auditor's Annual Report on Lancashire County Council for 2022-23 in April 2024, as the external auditor had not yet finalised their audit opinion. The Interim Annual Report highlighted several improvement recommendations regarding governance, financial sustainability and improving economy, efficiency and effectiveness.

The auditor also identified a significant weakness in the council's arrangements for implementing Oracle Fusion during 2022-23 and therefore issued one key recommendation relating to the governance arrangements for major projects. The committee was subsequently reassured that management had responded to the issues relating to Oracle Fusion and implemented the required changes during the year, so the 2023-24 auditor's report was expected to reflect an improved position. The committee requested that a further report on the implementation of Oracle Fusion, including outstanding issues and lessons learned, be provided in July 2024. This item has now been deferred and will be provided in October 2024.





## Financial Reporting

The Accounts and Audit (Amendment) Regulations 2022 required the council to publish its draft accounts by 31 May 2023 and for the audited accounts and opinion to be published by 30 November 2023. The draft statement of accounts for 2022-23 was certified by the Chief Financial Officer (Section 151 Officer) and published by the council's website after the statutory deadline. This delay related to implementation of Oracle Fusion which meant additional verification had to take place before the accounts could be produced.

A dedicated briefing on the draft statement of accounts was held for committee members on 28 September 2023 and the Audit, Risk and Governance reviewed and approved the statement of accounts on 16 October 2023. Following this and as a result of the external auditor's review, some technical adjustments were required to ensure the accounts presented a materially correct position. The Audit, Risk and Governance approved the amended statement of accounts on 22 April 2024.

The next briefing session on the (draft) statement of accounts, now for 2023-24, has been scheduled for 19 July 2024.

## Treasury Management

The committee considered reports on treasury management throughout the year, exercising its stewardship role. The committee noted two six-monthly updates on treasury management activity and in January 2024 recommended the Treasury Management Strategies and Policies to Full Council for approval, ahead of the council's Budget Meeting in February 2024.

A training session on treasury management was held for committee members on 18 July 2023, with another scheduled for 18 July 2024.



## Membership, Meetings and Attendance

The Audit, Risk and Governance Committee comprises eight elected members representing two main political groups (on the basis of five Conservative and three Labour).

In March 2024, Full Council approved a new Constitution for the county council. Included in the Audit, Risk and Governance Committee's Terms of Reference was the addition of at least one non-voting, independent co-opted member to the committee's membership. This appointment will bring the committee in line with government and CIPFA guidance. A report on the process to appoint an independent co-opted member will be presented to the committee in July 2024, with an appointment due to be made during 2024-25.

### Officers

The Audit, Risk and Governance Committee continues to be well supported by officers, providing reports either in accordance with its work plans or at the request of the committee.

In 2023-24, the Executive Director of Resources (Section 151 Officer), Director of Finance and Commerce, Director of Law and Governance (Monitoring Officer), Head of Internal Audit, Head of Corporate Finance, and Head of Governance routinely attended committee meetings.

### External Auditor

The External Auditors, Grant Thornton UK, have attended all Audit, Risk and Governance Committee meetings during 2023-24.



Meetings

The Audit, Risk and Governance Committee met four times in 2023-24. The following table provides information about committee members' attendance at meetings.

Meeting Date	Committee Members	Substitute Members	Absent Members *
24 July 2023	7	0	1
16 October 2023	7	0	1
29 January 2024	7	1	0
22 April 2024	6	2	0

\* Including apologies with no substitute.

Training Sessions

Two training sessions, primarily aimed at members of the Audit, Risk and Governance Committee but open to all members, were organised during 2023-24. The following tables provides information about committee members' attendance.

Training Session	Committee Members	Non-Committee Members
Treasury Management 18 July 2023	3	4
Statement of Accounts 28 September 2023	4	5

At the time of this report, two further briefing/training sessions have been scheduled as follows:

- Treasury Management – 18 July 2024
- Statement of Accounts – 19 July 2024

