

## **Lancashire County Council**

### **Audit, Risk and Governance Committee**

**Minutes of the Meeting held on Monday, 28th January, 2019 at 2.00 pm in Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

#### **Present:**

County Councillor Alan Schofield (Chair)

#### **County Councillors**

L Beavers	T Martin
J Berry	E Nash
S Clarke	A Vincent

County Councillors Lorraine Beavers and Stephen Clark replaced County Councillors Miles Parkinson and Phillippa Williamson respectively.

#### **1. Apologies**

Apologies were received from County Councillor John Shedwick.

#### **2. Disclosure of Pecuniary and Non-Pecuniary Interests**

None declared.

#### **3. Minutes of the Meeting held on 29 October 2018**

**Resolved:** That the minutes of the Audit, Risk and Governance Committee held on 29 October 2018 be confirmed and signed by the Chair.

#### **6. Accounting Policies used in the Preparation of the Statement of Accounts 2018/19**

This item was brought forward with the agreement of the Chair.

Khadija Saeed, Head of Corporate Finance, presented a report outlining the accounting policies to be used in the preparation of the council's 2018/19 statement of accounts. The changes to International Financial Reporting Standards (IFRS) 15 and 9 were highlighted and it was explained that these had been incorporated into the proposed 2018/19 policies.

**Resolved:** That the accounting policies, as set out in the report now presented, be approved.

## **7. Treasury Management Activity 2018/19**

This item was brought forward with the agreement of the Chair.

Mike Jensen, Director of Investment, presented a report which provided a review of treasury management activity from October to December 2018, including a summary of: economic conditions, borrowing, investments and results measured against treasury management indicators.

The committee's attention was drawn to the following areas of the report:

- The investment activity detailed investments as of 31 December, not 30 September as stated in the report.
- The council had taken advantage of favourable terms to repay the Lender Option Borrower Option (LOBO) loan, reducing the overall level of debt.
- Good progress had been made with regard to treasury management in line with the strategy to follow the lowest credit risk position.
- There may be a potential change to the UK's credit profile dependent on the outcome of the Brexit negotiations.
- The Chair commented that the figures in the report were relevant to the information received in the recent treasury management training session attended by members of the committee.

Thanks were expressed to the Financial Services team for work resulting in the forecast for net financing expenditure for 2018/19 being £21m lower than budget for the end of the financial year.

**Resolved:** That the report now presented be noted.

## **8. Treasury Management Strategy and Investment Strategy 2019/20**

This item was brought forward with the agreement of the Chair.

Khadija Saeed, Head of Corporate Finance, presented a report proposing the treasury management strategy and the non-treasury investment strategy for 2019/20 for recommendation to the Full Council. It was reported that there were no significant changes to the treasury management strategy compared to 2018/19. A non-treasury investment strategy was also proposed, which is a new requirement under The Ministry of Housing, Communities and Local Government's (MHCLG) investment guidance.

Members commented that it was evident from the report that Lancashire County Council compared favourably to other local authorities as prudent investors in terms of borrowing and lending.

**Resolved:** That the treasury management strategy and non-treasury investment strategy for 2019/20, as set out in the report now presented, be recommended to the Full Council for approval.

#### **4. External Audit - Audit Progress Report and Sector Update 2018/19**

The Chair welcomed Robin Baker, Director and Engagement Lead and Angela Pieri, Engagement Manager, representing Grant Thornton, the county council's external auditors, to their first meeting of the committee.

Robin Baker, Director, Grant Thornton UK, presented the external audit progress report and sector update 2018/19 as of January 2019.

The committee's attention was drawn to the following key areas of the report:

- The audit of the 2017/18 council's financial statements had been completed and the audit opinion including the value for money conclusion had been issued on 28 August 2018.
- The audit of the 2017/18 pension fund had been completed and the unqualified audit opinion had been issued on 31 July 2018.
- The closure certificate from 2012/13 onwards remained outstanding as a result of an ongoing police investigation. Once the investigation had been concluded the auditors would be in a position to assess the implications on the audit of the council.
- Planning for the 2018/19 financial audit had commenced and would be shared with officers and the committee in due course.
- The certification of the Teacher's Pension Return had been completed prior to the deadline date and no significant issues had been identified.
- The external auditors provided a range of workshops, network events and publications and thanks were expressed to the council for facilitating a forthcoming event.

**Resolved:** That the report now presented be noted.

#### **5. Internal Audit Progress Report**

Ruth Lowry, Head of Internal Audit, presented an update on the Internal Audit Service's work including key findings, issues of concern and action being taken up to 31 December 2018.

It was confirmed that the actions raised in the last meeting with regard to potentially including the Minibus Driver Awareness Scheme (MiDAS) within the remit of the audit programme and had confirmed the figure quoted for outcome claims for the Troubled Families programme.

The committee's attention was drawn to the following key areas of the report:

- It was confirmed that the matters arising from internal audit work were for the period to 31 December 2018 (not 2019 as detailed in the report).
- Of the 90 audits planned 36 (40%) were complete or at the point where draft reports were being prepared for discussion with managers.

- The results so far were as expected and 23 (not 22 as specified in the report) out of 27 were favourable, giving substantial or moderate assurance.
- A considerable amount of work had been undertaken in the last year to improve the council's current financial position in terms of sustainability resulting in a projected funding gap for 2019/20 reducing from £60.6 million to £14.6 million. The available reserves would be sufficient to support the council's budget until at least 2022/23.
- Local Pensions Partnership Limited's (LPPL) internal auditor, Deloitte, is still completing an audit of the partnership's investment operations. The outcome of the audit would be reported to this committee at the next meeting in May 2019 in addition to any other audit work completed for 2018/19.
- Medication practices across Disability Services had achieved moderate assurance, not limited as specified in the report.
- With regard to the managers' progress in implementing actions from previous audits, some had been superseded by a review of processes making them no longer relevant.

In response to questions from members the following information was clarified:

- The management structure does not make explicit the fourth of the council's directorates including the one lead by the Chief Executive.
- The audit plan was ambitious, and it is unlikely that all will be delivered by 30 April 2019, but the team is working hard to complete most of the plan.
- In terms of Special Guardianship Orders, the service had more work to do and in due course it was anticipated that further testing in future would give more assurance over the controls now being put in place. Moderate assurance had been given over the controls' design but not yet over their operation in practice.
- The audit of educational off-site visits had been deferred to 2019/20 as the service was making some improvements and had requested more time to put them in to place.

In response to further questions from members, officers clarified the following information:

- Substantial assurance was in place for the Crisis Support Service as the scheme was well controlled, however the budget and its expenditure was within the remit of the service and not a matter for this audit. It was confirmed that the internal audit service provided assurance regarding risks and mitigation within the bounds of clearly defined objectives.
- With regard to contract monitoring that had achieved moderate assurance, there was scope to improve and the action plan would be followed up.

Members commented that the team were to be commended for their work towards achieve the challenging objective of 90 audits in the plan for this financial year and looked forward to the follow up actions from management for those areas with limited assurance.

The Chair referred to a recent event he had attended regarding financial sustainability and resilience and would ask officers to circulate the supporting information to members of the committee.

**Resolved:** That the report now presented be noted.

## **9. Corporate Risk and Opportunity Register Quarter 3**

Paul Bond, Head of Legal and Democratic Services, presented the quarter 3 corporate risk and opportunity register and highlighted the following areas for comments:

- Corporate risk (CR)13 – increase in demand for Children's Social Care had been added to the register due to an increase in referrals.
- CR14 – intermediate care for older people in a residential setting had also been added. The council was looking at best practice to address this and would be developing a joint action plan with the NHS.
- CR9 – discharge of patients from hospital into their own home or enablement/short term care in a safe and timely manner had been deleted as performance had improved and targets were being met.
- Changes to the level of risk in other areas of the plan were also outlined along with the reasons for change.

Members expressed thanks to the Adult Services team for the work committed to ensure the removal of risk CR9 from the register.

In response to questions from members, officers clarified that the council was reviewing the funding structure in order to develop the apprenticeship strategy to achieve the most effective results and that proposals would be brought forward in due course.

**Resolved:** That the report now presented be noted.

## **10. Skills and Development Needs Review**

Paul Bond, Head of Legal and Democratic Services, presented the skills and development needs review of the current committee members. The committee was thanked for the 100% response rate and the range of training needs identified was highlighted. In response to the review, individual training plans were to be developed for those with medium to high training needs. Democratic Services would contact individual committee members to discuss their requirements which would include one to one sessions, external training and Bite-Size briefings for medium need training.

The Chair commented on the quick response to the need identified for treasury management.

**Resolved:**

- (i) That the outcome of the skills and development needs review, as set out in the report, now presented, be noted.
- (ii) That the subject areas for initial training and the preferred training methods, as set out in the report, now presented be confirmed.

**11. Protocol for Grants to the Community and Voluntary Sector**

Josh Mynott, Democratic and Member Services Manager, presented a protocol for the management and award of grants by the county council to the voluntary, community and faith sector to ensure robust governance. It was explained that the report included a high level summary of the process to be followed and more detailed instructions which included central government guidance.

In response to questions it was clarified that:

- It was clear in the county council's Constitution that, since the current administration took office in May 2017, all decisions were taken collectively by Cabinet. In circumstances of urgency, the Leader was authorised to take a decision, together with the relevant service Cabinet Member, but these instances were rare. Member Champions were not authorised to approve grants as such decisions were taken by the Director of Corporate Services on the recommendation of each Champion.
- The wording of the protocol (page 16) would be amended to make it clear that the senior responsible owner was an officer role, and should read the "senior responsible officer".

In response to further questions and comments by councillors, it was agreed that further efforts would be made to contact the recipients of the Neighbourhood Wellbeing Grants in 2016/17 to request outcomes achieved from receipt of the grant funding. Further information would be shared with members as appropriate. Following a request from the committee, it was also agreed that the photographic information referred to in the auditor's report which had not been reviewed by the police, be forwarded to the police for consideration.

**Resolved:**

- (i) That the protocol for the administration of grants to the voluntary and community sector, as set out in the report, now presented, be approved.
- (ii) That the Constitution be amended to ensure all grant schemes operated by the county council follow the protocol and that the Director of Corporate Services be authorised to approve the wording to be used in the Constitution.
- (iii) That the amendments to the Constitution be approved by Full Council in due course.

## **12. Urgent Business**

There was no urgent business to be considered.

## **13. Date of Next Meeting**

It was noted that the next meeting of the committee would take place at 2.00pm on Monday 20th May 2019 at County Hall, Preston.

## **15. 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. Lancashire Central - Cuerden**

Stephen Young, Executive Director for Growth, Environment, Transport and Community Services presented an update on the Lancashire Central Cuerden project.

**Resolved:** That the report now presented be noted.

L Sales  
Director of Corporate Services

County Hall  
Preston