

## **Lancashire County Council**

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

#### **Minutes of the Meeting held on Monday, 27th July, 2020 at 2.00 pm - Skype Virtual Meeting**

##### **Present:**

County Councillor Alan Schofield (Chair)

##### **County Councillors**

J Berry	E Nash
C Edwards	J Rear
S Malik	J Shedwick
T Martin	

(1) Replaced CC A Vincent

#### **1. Apologies**

None.

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

None.

#### **3. Minutes of the Meeting held on 27 January, 2020**

**Resolved:** That the minutes of the Audit, Risk and Governance Committee held on 27 January 2020 be confirmed and signed by the Chair.

The Chair highlighted that the terms of reference and membership report would be brought to the next meeting of the committee, as the Full Council Annual General Meeting during which membership was confirmed had been delayed.

Members were reminded of the importance of acting and speaking objectively and independently.

#### **4. External Audit - Lancashire County Council Audit Plan 2019/20**

Paul Dosset, Partner, Grant Thornton presented a report detailing the Lancashire County Council Audit Plan provided by the council's external auditors, for the year ending 31 March 2020.

The following points were highlighted from the report:

- Central Government had extended the deadline for the submission of the audited annual accounts by three months to 30 November 2020, to take into consideration potential delays arising from the current pandemic.

- The report outlined the key items of the audit plan and identified significant risks which required specific audit consideration. The risks identified were:
  - ✓ Revenue recognition and management override of controls, applied to all audits in both the private and public sector.
  - ✓ The valuation of the pension fund liability, which would be based on actuarial assessments.
  - ✓ Valuation of land, buildings and investment property. Included as local authorities had relatively large asset bases.
  - ✓ The valuing and accounting of the Municipal Bonds Agency loan.
  - ✓ The impact of the Covid-19 pandemic in terms of producing the financial statements, such as remote auditing.
  
- In line with regulatory guidance, the level of materiality had reduced from the prior year and this would require additional testing. The Value for Money statement would include implications of the impact of challenges faces by the council, including those arising from the pandemic. An interim audit had been completed and no items had been identified that required highlighting. The fee would take into account additional work required by the regulatory framework which was in itself being reviewed.

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

- The initial assessment of the financial position of the council remained strong, despite the financial pressures resulting from Covid-19, compared to councils with more limited reserves. Neil Kissock, Director of Finance confirmed that although the council would be forecasting a gap, additional funding streams from central Government had offset some of the additional short to medium term costs incurred and an emergency budget was not anticipated. This would be kept under close review. An update for august Cabinet will set out current and longer term financial reporting.

**Resolved:** That the Lancashire County Council audit plan for 2019/20, as presented, be noted by the Audit, Risk and Governance Committee.

## **5. External Audit: Lancashire County Pension Fund Audit Plan 2019/20**

Paul Dosset Partner, Grant Thornton presented a report detailing the Lancashire County Pension Fund Audit Plan 2019/20 provided by the council's external auditors, for the year ending 31 March 2020.

It was highlighted that the report set out the key headlines, significant risk areas, materiality and audit time scales. It was emphasised that the risk identified regarding the valuation of level three investments, was always a significant area of focus and was even more so in the current economic climate. There was no change to the materiality level and a straightforward audit was anticipated. The audit would be discussed in detail with pension fund and investment managers.

**Resolved:** That the Lancashire County Pension Fund Audit Plan 2019/20, as presented, be noted by the Audit, Risk and Governance Committee.

## **6. Internal Audit Annual Report 2019/20**

Ruth Lowry, Head of Internal Audit, presented a report summarising the work that the Internal Audit Service had undertaken during 2019/20 and the key themes arising in relation to governance, risk management and internal control across the county council.

The following areas of the report were highlighted:

- Planned audits had been completed as far as possible, however final formal agreement of some individual audits had not been possible due to the pandemic.
- 75% of the 55 audits undertaken provided either substantial or moderate assurance. The overall audit conclusion is one of favourable assurance regarding the systems of governance, risk management and internal control.
- There were no outstanding actions for managers arising from audits undertaken in 2017/18 or earlier. Fewer actions than usual had been formally agreed during 2019/20 (57, compared to 269 in 2018/19) because a number of audit reports had not been agreed for the work completed last year.
- It was noted that the work related to last year before the onset of the pandemic. It was positive to note the stabilisation of the senior management team and the council's financial position, as well as the council's continuing improvement journey, which would now include lessons to be learnt from the management of the pandemic. Prior to the pandemic the audit team had access to all services across council and were able to undertake all work as intended.
- The Head of Internal Audit affirmed her organisational independence in terms of work undertaken and reported. In addition, regular feedback was sought in terms of team performance and client satisfaction, resulting in a good overall rating. It was emphasised that the team welcomed critical feedback and engagement to support quality assurance and the improvement programme.

Members sought clarification regarding the following:

- Although the report mentions that lessons were being learned in the area of adult social care complaints, members asked how processes could be improved further. It was explained that the issues raised were procedural in nature and the Head of Internal Audit would provide the full audit report to Councillor Malik.

- Referring to the Older People Service's audit and assurance arrangements, members asked if Lancashire's care homes had implemented sufficient measures as agreed to support safe practice. It was explained that the team had given moderate assurance in areas that included medication, planning and supervision. However the service had not yet followed up on the actions agreed and therefore it could not be confirmed that the actions had been implemented as intended.

**Resolved:** That the Internal Audit Annual Report 2019/20 and the information it provided to support the county council's annual governance statement for the year, be noted by the Audit, Risk and Governance Committee.

## 7. Internal Audit Plan 2020/21

Ruth Lowry, Head of Internal Audit, presented a report outlining the internal audit plan for 2020/21 and the planning process. It was noted that the plan may be subject to change dependent on the capacity of the council's services to respond to auditors during the pandemic.

It was highlighted that:

- The audit team had been temporarily redeployed to other services to offer wider operational support to meet needs that had arisen as a result of the pandemic.
- It was planned to audit each of the main areas of control across the organisation: governance and democratic oversight, business effectiveness, service delivery, service support and business processes. The original plan, provisionally agreed with the council's senior managers prior to the onset of the pandemic, had been reduced. However the majority of work relating to the safeguarding of children and adults remained, as did the health and safety of the public at household waste recycling centres. Additional areas that remained included: financial control and sustainability, business effectiveness with regard to the Digital Strategy and corporate performance.
- The Head of Internal Audit had also added the following areas to the plan: decision making (in response to meetings being reduced at the start of the pandemic); performance management related to the pandemic; reopening of buildings to staff and public; supporting schools; funding flows; the urgent procurement of personal protective equipment; lessons learned from the management of the pandemic and preparation to move toward a combined authority.

Members commented that there were items in last year's plan related to the Lancashire Safeguarding Children's Board that were unable to be completed. It was emphasised that the board had changed its structure and way of working and as such would benefit from further internal audit work to facilitate its optimal operation.

**Resolved:** That the internal audit plan for 2020/21 as presented, be approved by the Audit, Risk and Governance Committee.

## **8. The Council's Annual Governance Statement 2019/20 & Code of Corporate Governance**

Paul Bond, Head of Legal and Democratic Services presented the Annual Governance Statement, to be included in the Annual Statement of Accounts for 2019/20, and the Code of Corporate Governance.

It was noted the statement included an extra section which set out the council's response to the pandemic and a separate conclusion regarding the position as of mid-June.

With regard to the Code of Corporate Governance, the evidence section had been updated to include new sources from the Property Asset Management Strategy and Digital First Strategy.

**Resolved:** That:

- (i) The draft Annual Governance Statement for 2019/20, for inclusion in the Statement of Accounts, as presented, be approved by the Audit, Risk and Governance Committee.
- (ii) The Annual Governance Statement was to be signed by the Chief Executive and Director of Resources (the section 151 officer) and Leader of the council and published on the council's website.
- (iii) The committee considered the updated Code of Corporate Governance and no amendments were proposed for recommendation to Full Council.

## **9. Chairman's Annual Report 2019/20**

County Councillor Alan Schofield, Chair of the Audit, Risk and Governance Committee presented the Chairman's Annual Report for 2019/20. The annual report provided a review of the committee's effectiveness and included details of the committee's role, key activities, membership, meetings and attendance.

**Resolved:** That the Chairman's Annual Report, as presented be noted by the Audit, Risk and Governance Committee.

## **10. Draft Work Plan 2020/21**

Paul Bond, Head of Legal and Democratic Services presented the draft work plan for 2020/21, which outlined the main agenda items for the year along with the lead officers.

**Resolved:** That the draft work plan for 2020/21, as presented be noted by the Audit, Risk and Governance Committee.

**11. Urgent Business**

None.

**12. Date of Next Meeting**

It was noted that the next meeting of the committee would take place at 2.00pm on Monday 19 October 2020.

**13. Exclusion of Press and Public**

It was considered that in all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

**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 12 A to the Local Government Act 1972.

**14. Counter Fraud, Special Investigations and Whistleblowing Annual Report**

Ruth Lowry, Head of Internal Audit, presented a report which outlined the work undertaken in 2019/20 to prevent, detect and investigate fraud and corruption within the county council.

**Resolved:** That the counter fraud, special investigations and whistleblowing annual report as presented be noted by the Audit, Risk and Governance Committee.

L Sales  
Director of Corporate Services

County Hall  
Preston