

Lancashire County Council

Audit, Risk and Governance Committee

Monday, 27th July, 2020 at 2.00 pm in Virtual Meeting - Skype

Agenda

Part I (Open to Press and Public)

No.	Item
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1.	Apologies
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2.	Disclosure of Pecuniary and Non-Pecuniary Interests
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Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.

3.	Minutes of the Meeting held on 27 January, 2020	(Pages 1 - 6)
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To be confirmed, and signed by the chair.

4.	External Audit - Lancashire County Council Audit Plan 2019/20	(Pages 7 - 30)
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5.	External Audit: Lancashire County Pension Fund Audit Plan 2019/20	(Pages 31 - 50)
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6.	Internal Audit Annual Report 2019/20	(Pages 51 - 104)
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7.	Internal Audit Plan 2020/21	(Pages 105 - 122)
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8.	The Council's Annual Governance Statement 2019/20 & Code of Corporate Governance	(Pages 123 - 174)
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9.	Chairman's Annual Report 2019/20	(Pages 175 - 186)
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10.	Draft Work Plan 2020/21	(Pages 187 - 190)
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11. Urgent Business

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

12. Date of Next Meeting

The next meeting of the Committee will be held on Monday 19 October 2020 at 2pm. Venue to be confirmed.

13. Exclusion of Press and Public

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should 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 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

Part II (Not open to Press and Public)

14. Counter Fraud, Special Investigations and Whistleblowing Annual Report (Pages 191 - 200)

(Not for Publication – Exempt information as defined in Paragraphs 2, 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 interests in disclosing the information).

L Sales
Director of Corporate Services

County Hall
Preston

Lancashire County Council

Audit, Risk and Governance Committee

Minutes of the Meeting held on Monday, 27th January, 2020 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

County Councillor Alan Schofield (Chair)

County Councillors

J Berry	J Rear
S Malik	J Shedwick
T Martin	A Vincent
E Nash	

1. Apologies

None.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None.

3. Minutes of the Meeting held on 28 October 2019

Resolved: That the minutes of the Audit, Risk and Governance Committee held on 28 October 2019 be confirmed and signed by the Chair.

4. Code of Conduct - Summary of Complaints

Laura Sales, Director of Corporate Services and Monitoring Officer presented a report detailing a summary of all complaints received in 2019 against county councillors under the Code of Conduct. Terry Whitehead and Keith Leaver, Lancashire County Council appointed 'independent persons', who advise the Conduct Committee when required, were introduced to the committee.

The following points were highlighted from the report:

The emphasis of the process was to resolve complaints informally where possible. The Monitoring Officer had recently met with the appointed independent persons to discuss the best way of managing complaints received under the Code of Conduct moving forward, to ensure transparency. It was agreed that the Audit, Risk and Governance Committee would receive an annual report and where a complaint had been resolved informally, the independent persons would be contacted to ascertain their views on the decision. The number of complaints was low and when deemed necessary, apologies were forthcoming.

In response to a question it was confirmed that the independent persons hadn't been consulted regarding the breaches listed in the 2019 report, as the members involved had accepted the complaint and provided an apology where required. However under the new process, they would be contacted in each legitimate case of a complaint to confirm their agreement with the Monitoring Officer's suggested resolution.

Members commented that working together with the independent persons to resolve complaints was valuable and it would benefit open communication if more work was done regarding standards of behaviour at Full Council meetings.

Resolved: That the Audit, Risk and Governance Committee note the summary as presented.

5. Update Report: Outstanding Actions from 2017/18 Audit Work, Adult and Children's Services

Ian Crabtree, Director of Adult Social Care Transformation and Sarah Callaghan, Director of Education and Skills presented an update regarding progress made toward the following outstanding actions from 2017/18 internal audits:

- Transition from children's to adult services

Ian Crabtree highlighted that there was a wider strategic vision for transition being developed with all stakeholders. There are also plans in place to address operational issues and how change was communicated to stakeholders. This was governed by an internal steering group – Preparation for Adulthood, which was co-chaired by himself and Sarah Callaghan and included a colleague from Health, who was responsible for Special Educational Needs and Disabilities improvement. The Preparation for Adulthood vision had been taken to the Special Educational Needs and Disabilities Partnership Board, chaired by Edwina Grant, Executive Director of Education and Children's Services, for system wide development.

Work was being undertaken to reorganise the team to optimise the efficiency of the process. There is a further challenge to ensure the procedure was effective to meet the expectations of families and respond to demand in a co-ordinated way.

- Personal budgets for children's service users and direct payments to their carers

Sarah Callaghan highlighted that the key issues in the 2017/18 audit were largely related to staff training. It was identified that the take up of direct payments had been lower than anticipated and the administration of the process could be improved. To date, 29 of 40 staff had completed the training programme put in place to address this. Support was now available for parents and carers regarding accessing funds and the information was included in the revised local offer. The process was now more rigorous in terms of accessing and monitoring payments.

- Case management of adult occupational therapy services

Ian Crabtree confirmed that the 2017/18 audit was mainly positive with one action outstanding - to implement a case load tracker. This action had now been superseded, as the tracker was intended as an interim solution and a new analytical tool had now been procured that would monitor performance across all areas.

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

- There was some ambiguity regarding the age of transition to Adult Services if the young person had a disability. The Special Educational Needs and Disability reforms in 2014, extended the age from 18 to 25 with the aim to support the majority of young people to be independent. In terms of budgets, if all the eligibility criteria were met, the budget would be with Adult Services. The objective was to involve the transition team to embed early identification of required support to enable the best outcomes for the young person.
- There was a good working relationship between Occupational Therapy services provided by Lancashire County Council and the NHS. Both had access to a joint equipment store and having this single point of access had resolved issues arising from whose responsibility it is to provide equipment. The NHS landscape in Lancashire was complex, with eight Clinical Commissioning Groups. There was a national shortage of Occupational Health Therapists and work needed to be undertaken between Lancashire County Council and the NHS regarding how therapists could be recognised and developed as a joint resource. The health economy for each area within Lancashire was different, however once the Lancashire and South Cumbria Integrated Care System had been embedded joint working and commissioning arrangements would be developed.

Members commented that this report was in response to a request for information regarding outstanding internal audit actions from 2017/18. Members emphasised that all departments needed to be aware that the committee required swift responses to audit actions. Officers commented that could attend the Audit, Risk and Governance meeting when required to provide future updates.

Resolved: That the Audit, Risk and Governance Committee note the progress made against the outstanding internal audit actions from 2017/18.

6. Internal Audit Progress Report

Ruth Lowry, Head of Internal Audit, presented a report outlining the updates on the Internal Audit Service's work. The report included key findings, issues of concern and actions undertaken as a result of the work. The committee considered the final internal audit progress report and outcomes of the work for 2019/20 for the period to 31 December 2019.

The following areas of the report were highlighted:

- The numbers of audits undertaken and amendments to the audit plan with the reasons for the changes.
- The last action outstanding from 2017/18 related to the Public Health Commissioning Strategy and could now be closed as the original action identified had been superseded by a new action plan.
- Favourable assurance had been given in the majority of areas audited. Substantial assurance had been given in relation to the council's risk management framework and, as was reported later on the agenda, this was also subject to further improvement.
- Detailed action plans were in place to address 'safeguarding service user finances in the Supported Living Service' and 'children's direct payments', where limited assurance had been given.

Members commented that they would like to see swift progress to improve the safeguarding of service user finances in the Supported Living Service. Ian Crabtree commented that concerns had been identified by the service in this area and as a result, input from the Internal Audit Service had been requested to improve the consistency of approach. The county council continued to provide services to people with disabilities. Supported living schemes and short break services were all rated 'Good' with some short break services and its Shared Lives service rated 'Outstanding' by the Care Quality Commission (CQC).

Resolved: That

- (i) The Internal Audit progress report, as presented, be noted.
- (ii) Adult and Children's Service officers present a report to 19 October 2020 Audit, Risk and Governance Committee, updating members of progress made against areas with limited assurance.

7. External Audit Progress Report and Sector Update 2019/20

Robin Baker, Director and Engagement Lead and Angela Pieri, Engagement Manager, representing Grant Thornton, the county council's external auditors, presented an audit progress and sector update for 2019/10.

The following key points were highlighted:

- The audit was currently at the planning stage and detailed audit plans would be presented to the next meeting of the committee in July.
- The council's teacher pension return for 2018/19 had been completed one month ahead of the November 2019 deadline.

- Auditors continued to meet regularly with Lancashire County Council officers to ensure a smooth audit process and to highlight any potential issues.
- Potential audit fee amendments were currently under review as a result of the implications of changes to the expectations from Financial Reporting Council, in terms of financial reporting. Grant Thornton would be engaging the services of a valuation expert to assist with some areas. Potential fee changes would be discussed with the Section 151 Officer and Director of Finance before presentation to this committee.

In response to questions it was confirmed that the appropriate disclosures regarding leases would be required in accordance with the International Financial Reporting Standard 16 and no changes to the audit process needed to be made with regard to Brexit.

Resolved: That the external audit progress report and sector update 2019/20, as presented, be noted.

8. Grant Thornton's Request for Information from the Committee Chair

Khadija Saeed, Head of Corporate Finance, presented the proposed response to Grant Thornton's request for information from the Chair of the committee. It was confirmed that this was a standard annual request to all clients for information regarding fraud, risk and the going concern status of the council and in substance there was no notable change in the response to Grant Thornton, from last year.

Resolved: That the formal response to Grant Thornton's request for information from the Chair of the committee, as presented, be approved.

9. Grant Thornton's Request for Information from Management

Khadija Saeed, Head of Corporate Finance, presented the proposed response to Grant Thornton's request for information from management. It was confirmed that this was a standard annual request to all clients for information regarding fraud, risk and the going concern of the council and in substance there was no notable change in the response to Grant Thornton, from last year.

Resolved: That the formal response to Grant Thornton's request for information from management, as presented, be approved.

10. Accounting Policies used in the Preparation of the Statement of Accounts 2019/20

Khadija Saeed, Head of Corporate Finance, presented the Accounting Policies used in the preparation of the Statement of Accounts 2019/20. It was clarified that the wording in the policy had been simplified in line with current Chartered Institute of Public Finance and Accounting (CIPFA) guidance, however there was no change to the substance of the policy.

Resolved: That the accounting policies proposed to be used in the preparation of the Statement of Accounts 2019/20, as presented be approved.

11. Treasury Management Strategy 2020/21

Mike Jensen, Director of Investment presented the Treasury Management Strategy for 2020/21.

It was highlighted that in consideration of the success of the strategy, the substantial elements would continue allowing for some changes linked to events impacting the market. As a result of the increase in interest rates by the Public Works Loan Board, the council would be more likely to explore borrowing alternatives, such as public bond issues, largely in order to replace maturing loans. This would potentially be achieved via the recently relaunched UK Municipal Bond Agency. As a consequence an increase in investment limits to £750 million was proposed.

An update was provided on the improved performance of investments since the last reported position

Resolved: That the Treasury Management Strategy 2020/21, as presented, be recommended to Full Council for approval.

12. Corporate Risk & Opportunity Register Quarter 3 2019/20

Paul Bond, Head of Legal and Democratic Services, presented an update regarding the Corporate Risk and Opportunities register for quarter three.

A new risk (Corporate Risk 13) was highlighted, which focussed on working with partners to address health challenges in the county.

A review of the risk management process was currently being piloted in Education and Children's Services. The revised approach would improve risk reporting by developing a risk profile summary providing increased accountability, showing target dates and progress monitoring.

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

13. Urgent Business

There was no urgent business to be considered.

14. Date of Next Meeting

It was noted that the next meeting of the committee would take place at 2.00pm on Monday 18 May 2020 at County Hall, Preston.

County Hall
Preston

L Sales
Director of Corporate Services

Audit, Risk and Governance Committee

Meeting to be held on Monday 27 July, 2020

Report submitted by: Grant Thornton, External Auditors for Lancashire County Council

Electoral Division affected: (All Divisions);
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External Audit – Lancashire County Council Audit Plan 2019/20

Appendix A refers

Contact for further information:

Paul Dossett, Tel: (07919) 025198, Partner Grant Thornton UK LLP,
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Executive Summary

Appendix A to this report sets out the Lancashire County Council Audit Plan provided by the council's external auditors, Grant Thornton, for the year ending 31 March 2020.

The auditors are required to perform the audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office.

Recommendation

That the Lancashire County Council audit plan for 2019/20, as presented be noted and any issues, clarifications and questions be raised with the external auditor.

Background and Advice

External Audit provides assurance as to the effectiveness of the council's accounting and financial management arrangements and through these supports the council in its work to deliver its priorities and objectives. The Audit, Risk and Governance Committee has a key role to ensure control and risk management arrangements are effective and this report is made consistent with that responsibility. The Lancashire County Council Audit Plan sets out a number of areas for the committee's consideration, including the approach to the audit, the concept of materiality, risks, value for money and key dates.

Consultations

The reports have been discussed with finance officers of the council.

Implications:

This item has the following implications, as indicated:

Risk management

External audit is a statutory function required by the Local Audit and Accountability Act 2014. The Pension Fund audit plan and reporting must be considered by those charged with governance. At Lancashire County Council, this function is discharged by the Audit, Risk and Governance committee. The audited accounts are required by to be published by 30 November 2020.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
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None		
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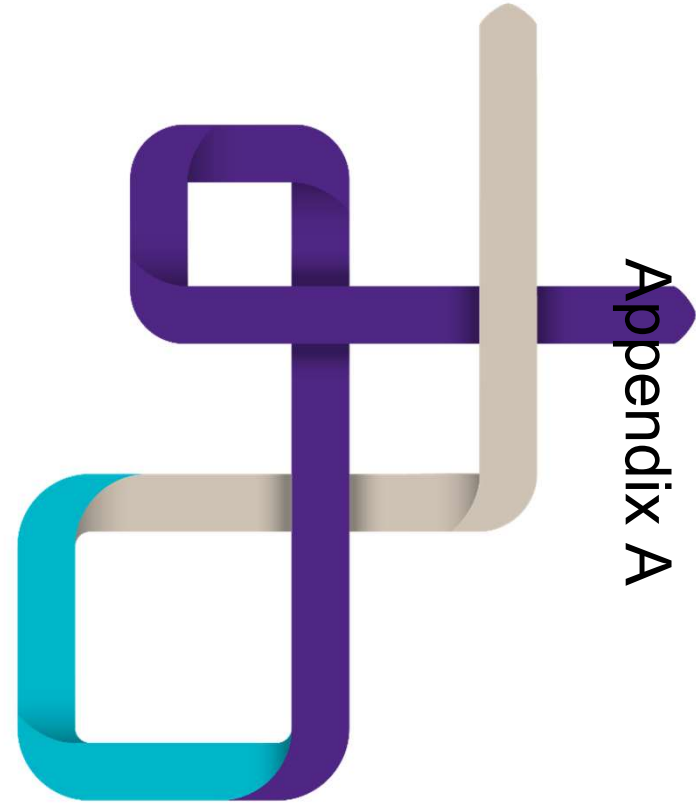
Reason for inclusion in Part II, if appropriate		
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N/A		
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External Audit Plan

Year ended 31 March 2020

Lancashire County Council
July 2020



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Lancashire County Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of [insert name of organisation]. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Risk and Governance Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit, Risk and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Group Accounts	The Council is required to prepare group financial statements that consolidate the financial information of Lancashire County Developments Limited.
Significant risks	<p>Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none">• revenue recognition (default significant risk under ISAs) – this has been rebutted for the Council• management override of controls (default significant risk under ISAs)• valuation of land, buildings and investment property• valuation of the pension fund net liability• valuation and accounting for the £350 million UK MBA bond, and• Covid-19. <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
Materiality	We have determined planning materiality to be £27.124 million (PY £32.248 million) for the group and £27.12 million (PY £32.208 million) for the Council, which equates to 1.25% (PY 1.5%) of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.356 million for the group (PY £1.614 million) and £1.356 million for the Council (PY £1.61 million).
Value for Money arrangements	<p>Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk:</p> <ul style="list-style-type: none">• Financial sustainability. The 2019/2020 budget included £10 million from reserves In order to balance the budget. The Council's Medium Term Financial Strategy (MTFS) 2020/21 to 2023/24 updated in February 2020, showed a cumulative funding gap by 2023/24 of £33.3 million. The funding gap assumes that significant savings identified of £120 million be delivered over the period of the Medium Term Financial Strategy (MTFS). The Council underspent its 19/20 budget by £1.7m
Audit logistics	<p>Our interim visit took place in January and February 2020 and our final visit will commence in August 2020. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.</p> <p>Our fee for the audit will be £111,856 (PY: £96,006) for the Council, subject to the Council meeting our requirements set out on page 15.</p>
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

2. Key matters impacting our audit

Factors

Financial Resilience

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

Significant savings plans have been in place at the Council, and the reliance upon reserves to balance the budget has decreased since 2018/19. The Council's 2019/20 budget required £10 million from reserves with a £1.7m underspend at year end.. The 2020/21 budget assumes a nil call on reserves.

The Council's Medium Term Financial Strategy (MTFS) 2020/21 to 2023/24 updated in February 2020, shows a cumulative funding gap between 2021/22 and 2023/24 of £33 million. The funding gap assumes that significant savings identified of £120 million are delivered over the period of the MTFS and pre-dates the impact of Covid 19.

Covid-19 pandemic

The unprecedented global response to the Covid-19 pandemic cannot be underestimated and the implications remains highly uncertain.

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020. To date the Council has received £33m in emergency Covid 19 support from Government. Although further support has been announced recently its impact is unclear.

Brexit

In January 2020 the UK government and the EU ratified the Withdrawal Agreement and the UK's membership of the EU formally ceased on 31 January. The existence of a 'transition period' to 31 December 2020 means that there will be little practical change for the Council until at least 2021. However, the nature of the future relationship between the UK and the EU is still to be determined and considerable uncertainty persists. The Council will need to ensure that it is prepared for all outcomes, including those with any impact on contracts, on service delivery and on its support for local people and businesses.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements.
- We will review management's post balance sheet assessment updated to the date of the audit opinion.

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements.

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been discussed with the Director of Finance and is subject to PSAA agreement.
- Our audit fee for 2018/19 has been determined by PSAA and our proposed fee for 2019/20 will also need to be determined by PSAA.

3. Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Lancashire County Council	Yes	Audit of the financial information of the component using component materiality	<ul style="list-style-type: none"> See pages 6 to 10 	Full scope UK statutory audit performed by Grant Thornton UK LLP
Lancashire County Developments Limited	No	Specified audit procedures relating to significant risks of material misstatements of the group financial statements.	<ul style="list-style-type: none"> See pages 6 to 10 	<p>Specific scope procedures on investment property to be performed by the component auditor Beever & Struthers.</p> <p>We also receive as part of the instructions to the component auditor any other key issues from the audit, and we will consider the information received as part of our overall response to the Covid-19 financial statements level risk.</p>

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Key changes within the group:

- We are not aware of any key changes within the group during 2019/20.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component’s financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

4. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Revenue recognition	Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Lancashire County Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Lancashire County Council.</p>	The risk is rebutted.
Management over-ride of controls	Group	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement and key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • consider the impact of Covid-19 and Brexit on investment valuations • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • considering whether there is a further impact of the McCloud judgement on the actuarial liabilities of the Council • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Lancashire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land, buildings and investment property	Group	<p>The Council revalues its land and buildings on a rolling three-yearly basis. Investment properties are revalued annually.</p> <p>These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally for land and buildings, management will need to ensure the carrying value in the Council and group financial statements is not materially different from the current value or the fair value (for surplus assets and investment property) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings and investment property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement and key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write out to them and discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own valuer to assess the instructions to the Council's valuer, the Council's valuer report and the assumptions that underpin the valuation • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • consider the impact of Covid-19 and Brexit on asset valuations.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation and accounting for the £350 million UK MBA bond loan</p>	<p>Council</p>	<p>The Council in March 2020 was the first Council in the UK to secure loan financing through the UK Municipal Bonds Agency (UKMBA). This was an alternative to the current methods of borrowing, for example from the Public Works Loan Board (PWLB) and other local authorities. The Council has provided a sole Council guarantee for the £350 million issue of bonds over the 5 year term. UKMBA are the issuer of the Bond and it is listed on the London Stock Exchange. Management need to consider the terms of the agreement of these loans and make judgements as to the appropriate accounting and disclosure treatment.</p> <p>We therefore identified the valuation and accounting for the UK MBA loans as an other risk and key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • assess management’s processes and assumptions for identifying critical judgements • discuss with management the basis on which the valuation and accounting was carried out, including advice received from treasury management advisers and legal advisers • consider the governance framework in relation to the Bond financing • review the accounting and narrative disclosures within the financial statements in relation to the loan including the Narrative Report.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Covid-19 pandemic	Group	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic • evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment, and • discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.

5. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

As noted in our Audit Plan, Audit Findings Report and Annual Audit Letter in 2018/19, we have been unable to certify completion of the Lancashire County Council audit since 2012/13 due to an on-going police investigation. We will continue to track any developments during the course of our audit, and provide any further update in our Audit Findings Report.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

6. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £27.124 million (PY £32.248 million) for the group and £27.12 million (PY £32.208 million) for the Council, which equates to 1.25% (PY 1.5%) of your prior year gross expenditure for the year. The reduction in materiality compared to the previous year reflects the higher profile of local audit following external reviews such as those led by Sir John Kingman and Sir Tony Redman. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.015 million for senior officers remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

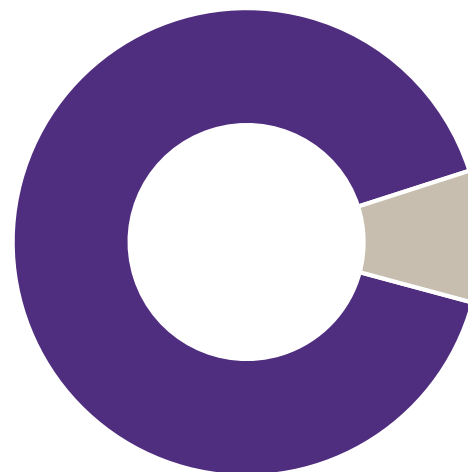
Matters we will report to the Audit, Risk and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Risk and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.356 million (PY £1.61 million).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Risk and Governance Committee to assist it in fulfilling its governance responsibilities.

Prior year gross expenditure

£2,281 million group
(PY: £2,235 million)
£2,280 million Council
(PY: £2,232 million)



- Prior year gross expenditure
- Materiality



7. Value for Money arrangements

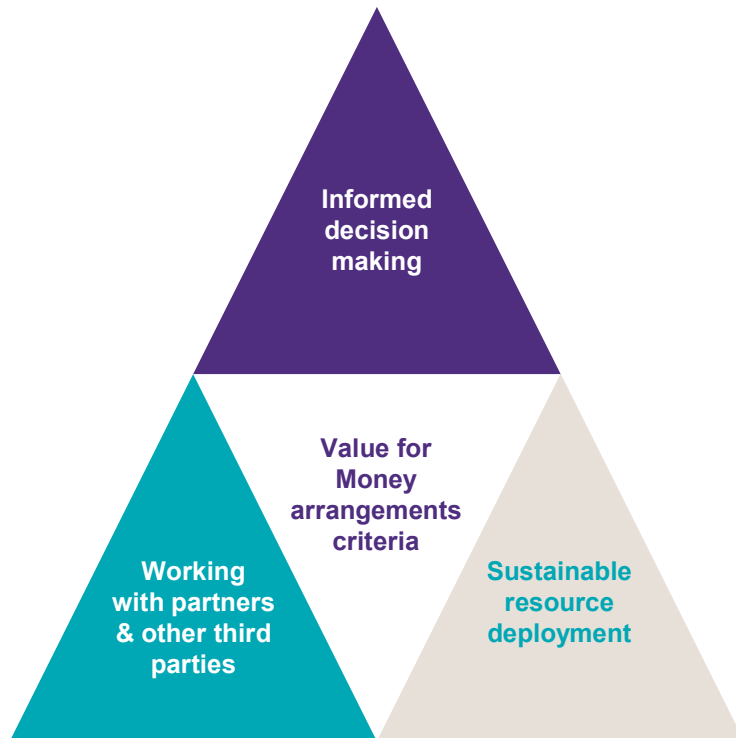
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Financial Sustainability

The Council's Medium Term Financial Strategy (MTFS) 2020/21 to 2023/24 updated in February 2020, shows a cumulative funding gap between 2021/22 and 2023/24 of £33 million. The funding gap assumes that significant savings identified of £120 million are delivered over the period of the MTFS.

Significant savings plans have been in place at the Council, and the reliance upon reserves to balance the budget has decreased since 2018/19. The Council's 2019/20 budget required £10 million from reserves. The 2020/21 budget assumes a nil call on reserves. The 19/20 financial year ended with an underspend of £1.7m.

The need to deliver the agreed savings and close the funding gap in the MTFS, represents a significant challenge for the Council.

The implications of the Covid-19 pandemic on the Council in terms of the financial impact and the savings are currently being reviewed. We will particularly focus on the impact of Covid-19 on the 2020/21 budget and beyond.. To date the Council has received £56m in emergency support from Government . A further funding package was announced in July 2020 but the precise details of how it impacts on the Council will need to be worked through.

We will review the Council's arrangements for updating, agreeing and monitoring its financial plans including the assumptions within them. This will include the consideration of Brexit in the Council's planning processes. We will also consider the arrangements in place to monitor the identification, pace, delivery and reporting of savings. This work is part of the sustainable resource deployment sub-criteria.

8. Audit logistics & team



Paul Dossett, Key Audit Partner

Paul leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Trust.



Simon Hardman, Audit Manager

Simon plans, manages and leads the delivery of the audit, is your key point of contact for your Finance team and is your the first point of contact for discussing any issues



Hebe Dyson, Audit Incharge

Hebe's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on-site audit team.

Audit timelines

Due to Covid-19, in 2019/20 there are extended deadlines for the preparation of the financial statements up to 31 August 2020, with the date for audited financials statements as 30 November 2020. We are continuing to liaise with officers to plan the audit timings, and the expected reporting date to the Audit, Risk and Governance Committee.

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

9. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been discussed with the Director of Finance and is subject to PSAA agreement. Note that the 2018/19 audit fee has been determined by PSAA and is set out below,.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Council Audit	£112,995	£96,006	£115,856
Total audit fees (excluding VAT)	£112,995	£96,006	£111,856

Assumptions:

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Covid-19:

Our audit response to Covid-19 is emerging. We will update any further impact upon expected audit fees at a later stage in the audit.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale (contracted in the case of non PSAA) fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale/ original contract fee	87,006	
Raising the bar	5,000	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Materiality	2,500	As outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile of local audit. This will entail increased scoping and sampling.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	3,500	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	9,350	We have therefore engaged our own audit expert – Wilks, Head & Eve and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. Note that the increase includes an estimate for the fee payable to the auditor's expert. We estimate that the cost of the auditors expert will be in the region of £5,000.
Covid-19	2,500	We have added a new significant risk for Covid-19 and are required to do additional work as a result.
New £350 million bond with UKMBA	2,000	Note that PSAA's original scale fee for this contract was set in March 2018, since that time the Council has entered a bond in March 2020 with UK MBA and additional work will be required for the valuation and disclosure requirements in the financial statements.
Revised scale fee (to be approved by PSAA)	111,856	

10. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following other services were identified.

Service	£	Threats	Safeguards
Audit related:			
Agreed upon procedures – Teachers' Pension return	£ TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit of £111,856 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
Chief Finance Officer (CFO) Insights	£9,000	Self-Interest (because this is a recurring fee)	The fee is a annual subscription for three years from 1 April 2017 to 31 March 2020. This is year three of the subscription. The level of this recurring fee on its own is not considered a significant threat to independence as the fee for this work is £9,000 per annum in comparison to the total scale fee for the audit of £111,856 and in particular relative to Grant Thornton UK LLP's turnover overall. It is also a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been notified to the Audit, Risk and Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.ie/about/transparency-report/>

Independence & non-audit services

Auditor independence

On page 17 we listed the other services provided to Lancashire County Council. We also disclose to you that the commercial arm of our firm undertakes the audit of the Local Pensions Partnership, of which Lancashire County Council is one of the two founding members, each holding 50%. Details of the work performed, and the fees charged, are shown below for transparency purposes. However we are satisfied that this work has no impact on our independence for the audit of Lancashire County Council for the reasons mentioned below.

Service	£	Threats	Safeguards
Audit related			
Local Pensions Partnership Authorised Contractual Scheme and investment funds structures audit	TBC	Self Review	This is not considered a significant threat as the audit of Lancashire County Pension Fund and Lancashire County Council is undertaken by a completely separate team from the Public sector Services arm of the Firm, as opposed to the commercial audit team that delivers the LPP audits. These are different Engagement Leads in place for both audits, and where we seek to place reliance on the work performed on the LPP audit, this is treated as an auditor's expert for the purposes of our work.

Appendices

A. Audit Quality – national context

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the Audit, Risk and Governance Committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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Audit, Risk and Governance Committee

Meeting to be held on Monday 27 July, 2020

Report submitted by: Grant Thornton, External Auditors for Lancashire County Council

Electoral Division affected: (All Divisions);
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External Audit – Lancashire County Pension Fund Audit Plan 2019/20

Appendix A refers

Contact for further information:

Paul Dossett, Tel: (07919) 025198, Partner Grant Thornton UK LLP,
paul.dossett@uk.gt.com

Executive Summary

Appendix A to this report sets out the Lancashire County Pension Fund Audit Plan provided by the council's external auditors, Grant Thornton, for the year ending 31 March 2020.

The auditors are required to perform the audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office.

Recommendation

That the Lancashire County Pension Fund audit plan for 2019/20, as presented be noted and any issues, clarifications and questions be raised with the external auditor.

Background and Advice

External Audit provides assurance as to the effectiveness of the council's accounting and financial management arrangements and through these supports the council in its work to deliver its priorities and objectives. The committee has a key role to ensure control and risk management arrangements are effective and this report is consistent with that responsibility. The audit of the Pension Plan sets out a number of areas for the committee's consideration including the significant risks issues such as the valuation of level three investments.

Consultations

The reports have been discussed with finance officers of the council.

Implications:

This item has the following implications, as indicated:

Risk management

External audit is a statutory function required by the Local Audit and Accountability Act 2014. The Pension Fund audit plan and reporting must be considered by those charged with governance. At Lancashire County Council, this function is discharged by the Audit, Risk and Governance committee. The audited accounts are required by to be published by 30 November 2020.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
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None

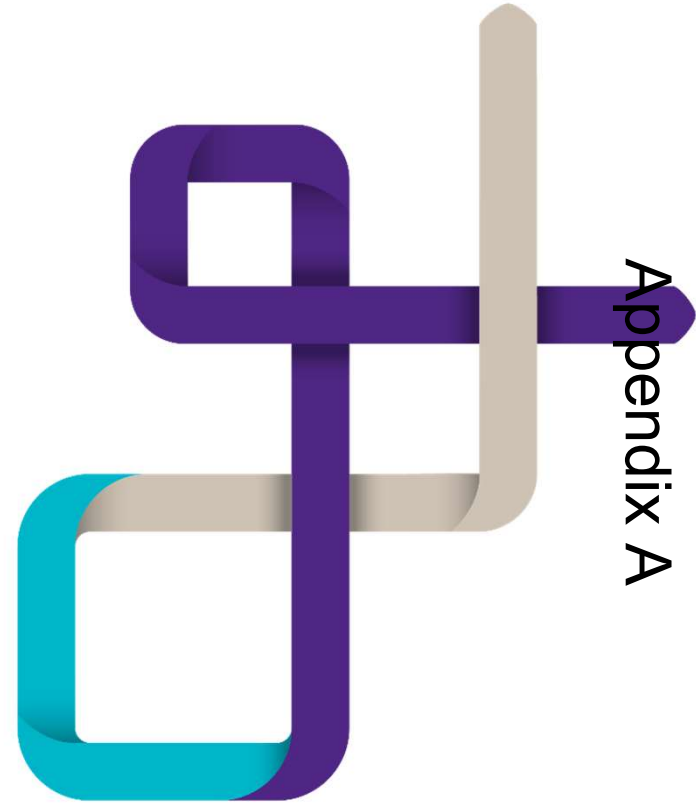
Reason for inclusion in Part II, if appropriate

N/A

External Audit Plan

Year ending 31 March 2020

Lancashire County Pension Fund
17 July 2020



Contents



Your key Grant Thornton
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Appendix

A. Audit quality – national context	
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Lancashire County Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). The Code summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Lancashire County Pension Fund.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Risk and Governance Committee).

The audit of the financial statements does not relieve management or the Audit, Risk and Governance Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue recognition – the risk of revenue including fraudulent transactions is rebutted for Lancashire County Pension Fund
- Management override of controls
- Valuation of level 3 investments
- Covid-19

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined materiality at the planning stage of our audit to be £84 million (Prior Year (PY) £84.101 million) for the Pension Fund, which equates to 1% of your draft account net assets for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £4.35 million (PY £4.205 million).

Audit logistics

Our interim visit took place in March, and our final visit is planned in the summer. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be £31,310 (PY: £27,810) for the Pension Fund, subject to the Pension Fund meeting our requirements set out on page 11.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

2. Key matters impacting our audit

Factors

The wider picture

Local Government funding continues to be stretched with increasing cost pressures.

The market value of LGPS funds at end of March 2019 was £287.2 billion (an increase of £16.3 billion or 6.0%) but for the first time, the LGPS in England & Wales is now cashflow negative, with benefit payments rising to £10.4bn while contributions fell to £9.3bn. There are now over 18,000 employers. Local authorities represent around 18.3% of these but have 74% of the members.

In January 2020 the UK government and the EU ratified the Withdrawal Agreement and the UK's membership of the EU formally ceased on 31 January. The existence of a 'transition period' to 31 December 2020 means that there will be little practical change for the Pension Fund until at least 2021. However, the nature of the future relationship between the UK and the EU is still to be determined and considerable uncertainty persists.

Governance

The Scheme Advisory Board (SAB) has published the *Good Governance – Phase II Report*. Proposals include having a single named officer responsible for the delivery of LGPS related activity for a fund, an enhanced annual governance compliance statement and establishing a set of key performance indicators.

SAB is also consulting on Responsible Investment guidance to assist and help investment decision makers.

The Pensions Regulator continues to apply pressure on pension schemes to improve the quality of scheme member data.

Covid-19

The unprecedented global response to the Covid-19 pandemic cannot be underestimated and the implications remains highly uncertain.

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.

Financial reporting and audit- raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Pooling

For Lancashire County Pension Fund this process began in 2016/17 with the Local Pensions Partnership (LPP) becoming fully operational in April 2017. Lancashire County Council and London Pensions Fund Authority are joint partners in LPP.

During 2019/20 more investments have been pooled with Local Pensions Partnership Investments Ltd (LPPI). The majority of the direct property portfolio transitioned to the LPPI Real Estate fund on 1 October 2019.

Our response

We will review management's post balance sheet assessment updated to the date of the audit opinion.

We will consider the Pension Fund's responses to the SAB initiatives and whether they impact upon our risk assessment.

We will consider the impact of any data issues raised as part of our 2019/20 audit.

We will review management's post balance sheet and going concern assessments updated to the date of the audit opinion.

We will review the disclosures in the financial statements regarding the Covid-19 pandemic.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and financial reporting. Our proposed work and fee, as set further in our Audit Plan, and is in the process of being agreed with management and is subject to PSAA agreement.

Whilst we do not consider the transfer of assets to the pool as a significant risk we will tailor our approach to gain assurance in respect of the completeness and accuracy of the transactions.

We will review the governance processes in place at Lancashire County Pension Fund and Lancashire County Council that gives assurance over the activities of LPP and LPPI.

3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Revenue recognition – the risk of revenue including fraudulent transactions</p>	<p>Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Lancashire County Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Lancashire County Pension Fund.</p>	<p>The risk of revenue including fraudulent transactions is rebutted for Lancashire County Pension Fund.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities. The auditing standards do not allow this presumption to be rebutted by the auditor.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence, • gain an understanding of the control environment in the pool Local Pensions Partnership (LPP) from the internal audit reporting during the year, and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

3. Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 investments	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2020.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2020 with reference to known movements in the intervening period • where available review investment manager service auditor report on design effectiveness of internal controls, • review any transfers to the Pool for any level 3 investments during the year, and • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert.

3. Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid-19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation, and the reliability of evidence we can obtain to corroborate management estimates for instruments classified as fair value through profit and loss there may be a need to review the Level 1-3 classification of the instruments if trading may have reduced to such an extent that quoted prices are not readily and regularly available and therefore do not represent actual and regularly occurring market transactions. whilst the nature of the Fund and its funding position (i.e. not in a winding up position or no cessation event) means the going concern basis of preparation remains appropriate management may need to consider whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation’s ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. Including management’s assessment of the impact of Covid-19 upon employer covenants and forecast cashflows. Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely Evaluate whether sufficient audit evidence can be obtained to corroborate management’s fair value hierarchy disclosure Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as Level 3 asset valuations, including direct property, and Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

4. Other matters

Other work

The Pension Fund is administered by Lancashire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State;
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Pension Fund's ability to continue as a going concern" (ISA (UK) 570).

Currently, the accounts of the Pension Fund are expected to be prepared on a going concern basis. We will review management's assessment of the going concern assumption and any material uncertainties, and evaluate the disclosures in the financial statements.

5. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

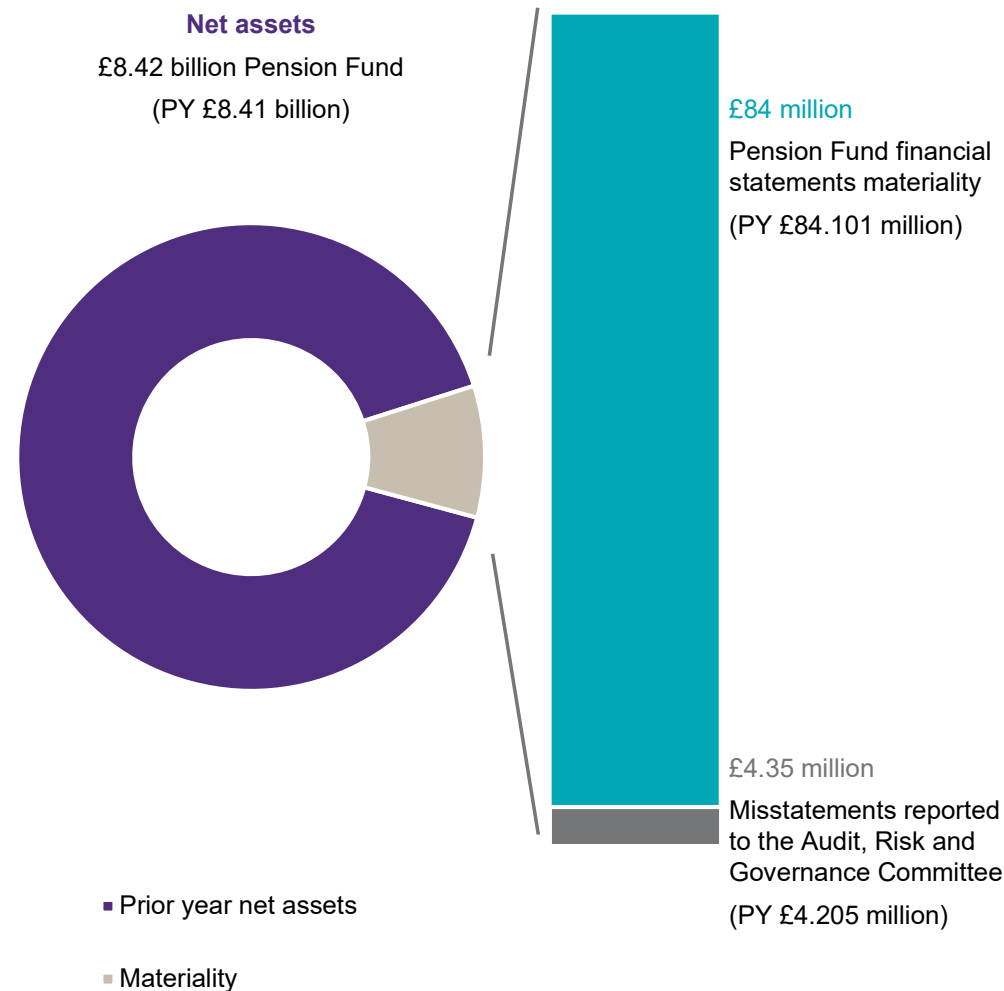
We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £84 million (PY £84.101 million) for the Pension Fund, which equates to 1% of your net assets for the year.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit, Risk and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Risk and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £4.35 million (PY £4.205 million).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Risk and Governance Committee to assist it in fulfilling its governance responsibilities.



6. Audit logistics & team



**Paul Dossett, Partner
Engagement Lead**

Paul leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards.



**Andy Ayre, Manager
Engagement Manager**

Andy plans, manages and leads the delivery of the audit, is your key point of contact for your Finance team and is your the first point of contact for discussing any issues.



Olalekan Ayilara, Audit Incharge

Olalekan's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on-site audit team.

Audit timelines

Due to Covid-19, in 2019/20 there are extended deadlines for the preparation of the financial statements up to 31 August 2020, with the date for audited financials statements as 30 November 2020.

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit, and
- respond promptly and adequately to audit queries.

7. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government pension fund financial reporting, in particular, scrutiny of the valuation of hard to value investments needs to be improved. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee at the planning stage, as set out below and with further analysis overleaf, and is currently being discussed with management and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Pension Fund Audit	£34,169	£27,810	£31,310
Total audit fees (excluding VAT)	£34,169	£27,810	£31,310

Assumptions:

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Covid-19:

Our audit response to Covid-19 is emerging. We will update any impact upon expected audit fees at a later stage in the audit.

7. Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale (contracted) fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees.

Audit area	£	Rationale for fee variation
Scale/ original contract fee	26,310	
Raising the bar	1,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Valuation of level 3 investments	1,250	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.
Directly held property	1,250	We have increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin directly held property valuations.
Covid-19 response	1,000	We have added a new significant risk for Covid-19 and are required to do additional work as a result.
Revised scale fee (to be approved by PSAA)	31,310	

8. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 (and PSAA's Terms of Appointment) which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following other services were identified.

Service	£	Threats	Safeguards
Audit related:			
Provision of IAS 19 Assurances to Scheme Employer auditors	9,000 Expected to be £500 per letter	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £9,000 in comparison to the total fee for the audit of £31,310 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. All services have been approved by the Audit, Risk and Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees. The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

8. Independence & non-audit services

Services provided by Grant Thornton UK LLP to Local Pensions Partnership

For transparency, we disclose to you that the commercial arm of our firm undertakes the audit of the Local Pensions Partnership, of which Lancashire County Council is one of the two founding members, each holding 50%. Details of the work performed, and the fees charged, are shown below for transparency purposes. However we are satisfied that this work has no impact on our independence for the audit of Lancashire County Pension Fund for the reasons mentioned below.

Service	£	Threats	Safeguards
Audit related:			
Local Pensions Partnership Authorised Contractual Scheme and investment funds structures audit	TBC	Self Review	This is not considered a significant threat as the audit of Lancashire County Pension Fund and Lancashire County Council is undertaken by a completely separate team from the Public Sector arm of the Firm, as opposed to the audit team that delivers the LPP audits. There are different Engagement Leads in place for the audits, and where we seek to place reliance on the work performed on the LPP audit, this is treated as an auditor's expert for the purposes of our work. The LPP audit is undertaken in accordance relevant auditing standards and guidance.

Appendices

A. Audit Quality – national context

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets Pension Fund of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local Pension Fund financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit.

What will be different in this audit?

We will continue working with you to seek to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee and management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and will aim for the work to be completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we would be happy to provide further detail about our improvement plans should you require it.



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Audit, Risk and Governance Committee

Meeting to be held on Monday, 27 July 2020

Electoral Division affected: (All Divisions);
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Internal Audit Annual Report 2019/20

Appendix A refers

Contact for further information:

Ruth Lowry, (01772) 534898, Head of Internal Audit, Ruth.lowry@lancashire.gov.uk

Executive Summary

The committee has considered periodic reports of progress during the year but has not received any information since January 2020. Audit work undertaken throughout the year supports the conclusion that moderate assurance can be provided over the county council's systems of governance, risk management and internal control. This report summarises the work that the Internal Audit Service has undertaken during 2019/20 and the key themes arising in relation to governance, risk management and internal control across the county council.

The annual report to Lancashire County Council is appended to this report as Appendix A. Annex A sets out all the work planned for the year and the assurance provided by each individual internal audit assignment, Annex B sets out summaries of the findings of each audit, Annex C sets out the definitions of the assurance provided and Annex D explains the scope of internal audit work, management and audit's responsibilities.

Recommendation

The committee is asked to consider and note this report and the information it provides to support the county council's annual governance statement for the year.

Background and Advice

The Internal Audit Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the county council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the head of internal audit to provide an opinion on the county council's control environment and a written report to those charged with governance, timed to support the annual governance statement.

Consultations

Except as specifically reported, the findings presented in this report have been discussed with the council's senior managers and directors.

Implications:

This item has the following implications, as indicated:

Risk management

This report supports the Audit, Risk and Governance Committee in undertaking its role, which includes providing independent oversight of the adequacy of the council's frameworks of governance, risk management and internal control.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

Not applicable

Lancashire County Council Internal Audit Service Annual report of the head of internal audit for the year ended 31 March 2020

1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the county council's Internal Audit Service has undertaken during 2019/20 in relation to governance, risk management and internal control across the council.
- 1.2 In May 2019 the Audit, Risk and Governance Committee considered and approved an internal audit plan for 2019/20, and small amendments to the plan have been reported to the committee during the course of the year. The work for the year supports an overall opinion on the frameworks of governance, risk management and internal control.
- 1.3 All the work planned for the year has been completed as far as possible and assurance over the services, systems and processes that operated during 2019/20 has been given wherever possible. As the council's senior managers have been engaged in addressing the issues raised by the coronavirus pandemic during March, not all of the assurance given here has been discussed with them. Although all the work reported here has been discussed with their teams. This has allowed the council to take information from the internal audit work that has been done during the year, but the senior management team may choose to return to some of the work reported here in future, and additional audit work may be undertaken to reinforce it.

The role of internal audit

- 1.4 The Internal Audit Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the Head of Internal Audit to provide an opinion on the council's control environment and a written report to those charged with governance, timed to support the annual governance statement. This report presents my opinion based upon the work the Internal Audit Service has performed during 2019/20.
- 1.5 The scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report are set out in annexes to this report.

Interim progress reports

- 1.6 I have provided summaries of the audit work completed during the course of the year in my progress reports to the meetings of the Audit, Risk and Governance Committee in October 2019 and January 2020. However

since the majority of the work has not been reported before, all the audit work completed under the plan for the year has been included in this report.

- 1.7 Any individual audit reports will be provided to any members if they wish.

2 Summary assessment of internal control

Overall opinion

- 2.1 I can provide moderate assurance overall regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.
- 2.2 In forming my opinion I have considered the work undertaken by the Internal Audit Service throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements. Audit work has covered the full range of the council's services and each element of the control framework.
- 2.3 The work undertaken and reported here predates the impact of Covid-19 on the organisation and the wider community. Audit work on the council's emergency planning during recent years has indicated that the council has controls and governance arrangements in place to respond to emergencies, and so it has proved in the last month of the year and beyond.
- 2.4 However this report addresses the range of controls that were operating before the introduction of the wide-ranging organisational changes required to respond to the coronavirus pandemic. It sets out the baseline from which the organisation has departed to address the pandemic, and is informed by its governance, risk management and control frameworks prior to March 2020.
- 2.5 Annexed to this report are:
- A summary of the work set out in the audit plan for the year with the assurance provided by each audit engagement (Annex A)
 - A more detailed summary of the findings of each engagement (Annex B)
 - An explanation of the categories of assurance provided (Annex C)
 - An explanation of the scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report (Annex D)

The council's control framework

- 2.6 Our work has been organised in accordance with the Internal Audit Service's planning principles and an understanding of the council's controls at the start of the year, which was set out as follows on the next page:

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A framework for governance, risk management and control						
Governance and democratic oversight						
Corporate governance		Decision-making		Oversight and scrutiny		Policy setting
Business effectiveness						
Risk management	Performance management	Organisational design	Financial governance and planning		Working in partnership	
Service delivery						
Growth, Environment & Transport		Education & Children's Services	Adult Services and Health & Wellbeing		Resources	
Service support						
Legal services	Skills, learning & development	Core ICT systems	Property management	Health & safety	Programme management	Customer access
Business processes						
Financial systems & processes		Procurement		Facilities management	Human resources	
Information management		Contract monitoring & management			Payroll processing	
Business continuity				Investment	ICT systems	

Summary of assurance provided by the Internal Audit Service

2.7 A summary of all the assurance provided during the year is set out in the table below. This includes each engagement directed to providing controls assurance, but it excludes work for example on the certification of grant funding claims and participation in working groups, since this has not been directed at providing assurance. For comparison the summaries of audits completed in the previous three years are also included.

2019/20 engagements relating to:	Total	Assurance provided			
		Substantial*	Moderate*	Limited	None
Governance	3	1	1	1	
Business effectiveness	1	1			
Service delivery	34	8	15	11	
Service support	8	3	4	1	
Business processes	9	7	1	1	
2019/20	55	20	21	14	-
	100%	36%	39%	25%	-
2018/19	77	25	39	13	0
	100%	32%	51%	17%	-
2017/18	51	5	34	12	0
	100%	10%	67%	23%	-
2016/17	31	3	24	4	0
	100%	10%	77%	13%	-

* The categories of assurance were amended between 2017/18 and 2018/19 but, for comparison, full assurance has been equated to substantial assurance and, where substantial assurance was previously given, this has now been recorded as moderate.

Wider sources of assurance available to the county council

- 2.8 The reports provided by Ofsted during the year form important sources of external assurance and may be found on Ofsted's web-site here: <https://reports.ofsted.gov.uk/local-authorities/lancashire>. Two reports address Ofsted's work in 2019: the Children's Services inspection undertaken in June, and the Children's Service's focussed visit (on permanence) undertaken in November.
- 2.9 Some assurance has been taken from the work undertaken by Deloitte over the operation of the Local Pensions Partnership Ltd group. The firm has completed four audits of various aspects of the partnership's activities in accordance with the plan for the year updated in February 2019, two of which relate to LPP's its work on administering the Fund or investing on its behalf.

3 Management's responses to our findings

- 3.1 Each of the issues raised by internal audit work would normally be discussed with the relevant service managers as well as with members of the council's Corporate Management Team, and action plans would normally be agreed. However management's strong focus on addressing the impact of Covid-19 on Lancashire's communities has meant that work completed at the end of this year has not been subject to such discussion.
- 3.2 Until the middle of March 2020 management's own assessment of the status of the actions arising from audit work was as follows, but no further information has been sought or provided since then.

Actions agreed in 2017/18, 2018/19 and 2019/20 and now due							
Action status	As at March 2020					March 2019	
	Total		Risk rating			Total	
			High	Medium	Low		
Complete	396	76%	21	225	150	267	73%
Superseded	39	7%	8	23	8	46	13%
Incomplete	26	5%	4	16	6	11	3%
Awaiting responses	61	12%	3	32	26	39	11%
Total	522	100%	36	296	190	363	100%
Arising in: 2017/18	196	38%	18	117	61		
2018/19	269	52%	17	155	97		
2019/20	57	11%	1	24	32		

- 3.3 During the year, managers have reported that all the actions agreed prior to 2018/19 have been addressed or superseded. Our work to obtain evidence that the actions have been completed indicates that, until March 2020, action was generally being taken as intended.

4 Key issues and themes

- 4.1 The organisation's senior management team has stabilised following permanent appointments to each of the most senior and statutory posts during 2018/19.
- 4.2 During the year a number of areas were subject to ongoing necessary improvement as well as additional cost-saving activity, and the council as a whole embarked on an 'improvement journey'; this is characteristic of any normal, ambitious organisation.
- 4.3 Even before the onset of Covid-19 there were still considerable demands on the council's resources that put the improvement of its services, systems and processes at risk. The need to support service improvements and cost savings with improvements in ICT systems in particular remains, and will be particularly challenging in the coming year as the council prepares for the return of the ICT Service from BT Lancashire Services Ltd.
- 4.4 Until March 2020, the council's financial position was beginning to stabilise. At that point the 2019/20 revenue forecast outturn was projected to be £788.7 million, which represented an under-spend of £13.5 million, or 1.68% of the budget. In the longer term a deficit was projected of £33.3 million in 2023/24 but the council held sufficient uncommitted reserves to cover this. Work was continuing to identify further savings, address the structural funding gap and reduce the need for support from reserves in the long term. However it is unclear at this point what the council's financial position and prospects will be, nor what state its services will be in, when it emerges from the coronavirus pandemic.
- 4.5 Again, despite the challenges facing managers across the council the Internal Audit Service has been welcomed and supported in undertaking our work during 2019/20. We have withdrawn from work in some areas where necessary whilst further action has been taken by management to understand the issues and plan the improvements still required but, overall, until March 2020 we have had access to services in every directorate.
- 4.6 The assurance we have provided is largely favourable (since we have given substantial or moderate assurance over 75% of the services, systems or processes we have audited) and I have therefore been able to give moderate assurance overall for the year.

5 Implications for the annual governance statement

- 5.1 In making its annual governance statement the council considers the head of internal audit's opinion in relation to its frameworks of governance, risk management and control. The council's annual governance statement for 2019/20 should therefore reflect its positive response to the continuing challenges presented by its financial position and projections; its continuing drive to make challenging cost reductions; the effects of cost reductions on its ability to operate adequate and effective controls to properly manage the risks to its objectives; and work to improve its core ICT systems.

6 Organisational independence

- 6.1 The Internal Audit Service has access to and support from the council's Corporate Management Team and is able to operate independently within the organisation, so has been able properly to fulfil its responsibilities. In accordance with its charter the service remains independent of the council's other functions and, with the exception of its support to management in relation to counter fraud work and investigation, no member of the Internal Audit Service has any executive or operational responsibilities.
- 6.2 The Internal Audit Service's work programme and priorities are determined in consultation with the Corporate Management Team, the council's senior managers and the Audit, Risk and Governance Committee, but remain decisions for the head of internal audit. I have direct access to and freedom to report in my own name and without fear or favour to all officers, and to members of the Audit, Risk and Governance Committee.

7 Internal audit performance

- 7.1 The Internal Audit Service's establishment is currently fully staffed by a team with growing experience. The service continues to work hard to reflect on its work and to improve its practice to meet both professional standards and our auditees' expectations.

Completion of the internal audit plan 2019/20

- 7.2 The outputs of our audit work have been reported during the year to the senior management teams of individual service areas, and the key themes arising for them and for the council as a whole are set out above.
- 7.3 We have provided assurance through 55 individual audit engagements (2018/19: 77), as well as a number of other pieces of work that have not resulted in assurance opinions, and information about these is set out in Annexes A and B. This represents 65% of the original plan approved in May 2019 because, although a small number of audits were added during the year, other audits have been deferred, curtailed and removed around the end of the year in response to the onset of the coronavirus pandemic.

Client satisfaction

- 7.4 The Internal Audit Service has requested feedback from its auditees throughout the year as each audit engagement has been completed. This has again provided positive feedback about the conduct of our audit work and just a few helpful indications of practical matters for the team to consider in conducting its work.
- 7.5 We have received feedback on 19 of the audit engagements completed for the county council and a further three for our external clients relating to 2019/20, making 22 in total (2018/19: 33). Although surveys were sent for most completed audits we have not solicited feedback on the audits completed at the end of the year.
- 7.6 Although we therefore have limited information, our auditees have again told us in every case that, overall, they were satisfied with the way we conducted our work with them.

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7.7 We also seek more detailed feedback in relation to our audit planning, the audit process and reporting, our behaviour, and our management and service to our auditees. Our auditees have judged our performance across all categories to be very good or good in 86% of our audits (2018/19: 98%). Where we have received less favourable feedback we have discussed this both with our auditees and within the service.

8 Quality assurance and improvement programme

8.1 The Internal Audit Service has established and regularly reviews a quality assurance and improvement programme. PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessments or internal assessments by others with sufficient knowledge, and independent external review at least once every five years.

Type of review	Internal review		External review
	Ongoing	Periodic	5-yearly
Audit engagement quality	✓		✓
Professional and operational framework		✓	✓

8.2 Following this framework, the Internal Audit Service's quality assurance and improvement programme consists of internal ongoing monitoring of audit engagement quality, periodic internal assessment of the professional and operational framework, and external review.

External review

8.3 The findings of the last external quality assessment undertaken by the Chartered Institute of Internal Auditors were reported to the committee in January 2018. This confirmed that the Internal Audit Service 'generally conforms' to the full range of standards set out in the International Professional Practice Framework, PSIAS and Local Government Application Note. We have worked to address the few matters raised to improve the operation of the service, although continue to critically assess the potential to make further improvements.

8.4 The review confirmed that the Internal Audit Service can say that its work has been in accordance with the International Professional Practices Framework, PSIAS and the Local Government Application Note.

Internal review

8.5 The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit engagement. The audit managers assess the quality of each audit concurrently as it progresses, and a post-audit file review process has been undertaken. These reviews indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors although, like last year, some learning points have been drawn out and shared with the team.

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
Control framework: Governance and democratic oversight							
Pension Fund	Oversight of Local Pensions Partnership (LPP) Ltd	Review of the way the council monitors and, if necessary, directs the work of LPP to ensure it best serves the interests of the Lancashire Pension Fund. (2019-87)	1+2	The council's oversight of LPP in its roles as shareholder and as client of LPP's administration and investment services is robust and appropriate. The right bodies and individuals are involved at the right times to ensure that LPP's work is understood and any concerns about its performance are properly addressed.	✓	✓	Substantial
Pension Fund	Obtaining and understanding the assurance provided by the Pension Fund's own internal auditors	Assessment of the assurance provided by Deloitte LLP over the operation of the Pension Fund by the Local Pensions Partnership. (2019-02)	N/A	Because the scope of audit work on LPP's activities and the information available about it are both restricted, the council can take only limited assurance over LPP's work.	✓	✓	Limited
Strategy and Performance	Planning for the return of services from BTLS to the council	Work to understand and support the transition. (2019-84)	1	Plans are being put in place to ensure that the council's objectives are met, and there is a smooth transfer of staff and services back to the council as the BTLS contract expires.	✓	✓	Moderate
Strategy and Performance	Finance	Work to understand and support the conduct of negotiations (2019-03)	1	This audit was replaced by work to understand the transition of services back to the council.	X	✓	Not applicable
Control framework: Business effectiveness							
Legal, Governance and Registrars	Risk management	Effectiveness of risk management arrangements in services and at a corporate level. Includes follow up of any actions from 2018/19 audit. (2019-04)	1+2	The council's risk management framework is embedded in its governance and decision making processes, and is operating effectively.	✓	✓	Substantial
Business Intelligence	Corporate performance management	Audit of the implementation of revised performance management arrangements and KPIs developed following the introduction of new corporate strategy. (2019-80)	1+2	Corporate performance reporting under new metrics has been delayed and this audit has therefore been deferred again. Our previous work in 2017 confirmed that controls to monitor and report the council's performance were adequate and effective.	X	✓	Not applicable
Pension Fund	Local Pensions Partnership Ltd's (LPP's) compliance with its contractual obligations	Review of the accuracy of the performance data reported by LPP to demonstrate its achievement of contractual performance targets. (2019-81)	1+2	The data requirements of the service level agreement have not been amended. However work has been undertaken instead on the council's oversight of LPP (2019-87).	X	✓	Not applicable
Control framework: Service delivery							
Adult Services and Health & Wellbeing							
Learning Disability, Autism & Mental Health	Transitioning young people from children's services to adults' services	Assessment of the controls that have been put in place to ensure that young people are properly transferred between children's and adults' services. (2019-05)	1+2	Insufficient audit work has been completed to draw any conclusions in this area, and no further work was possible around the year end.	X	✓	Not applicable

¹ Type of audit: in accordance with the explanation set out in the audit plan '1' is consultancy only, '2' is compliance testing only, '1+2' is a full risk and control evaluation.

² The outcome has been agreed with the audit sponsor; where not agreed the work has been completed at the end of the year without discussion with the auditees.

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
Learning Disability, Autism & Mental Health	Mental health case management	Review of the end-to-end case management arrangements following the transfer of mental health services back into the council from the NHS. (2019-06)	1+2	The new framework of control is adequately designed and effectively operated with some areas of good practice.	✓	X	Moderate
Learning Disability, Autism & Mental Health	Mental health case audit work	Assessment of the robustness of the case audit mechanism as a means of identifying elements of good practice to be shared and identifying areas for improvement. (2019-07)	1+2	Insufficient audit work has been completed to draw any conclusions in this area, and no further work was possible around the year end.	X	N/A	Not applicable
Learning Disability, Autism & Mental Health	Supervision	Confirmation that staff are subject to regular support and supervisory review to ensure compliance with professional body requirements. (2019-08)	2	Insufficient audit work has been completed to draw any conclusions in this area, and no further work was possible around the year end.	X	N/A	Not applicable
Social Care (Health); Social Care (Community)	Service challenge governance	Assessment of the governance and risk management arrangements in relation to service challenge items and business as usual following the Passport to Independence programme. (2019-09)	1+2	The service challenge savings relating to adult social care are subject to effective governance.	✓	✓	Substantial
Social Care (Health); Social Care (Community)	Provider-led reviews	Assessment of the scheme operating in the Carers Service, focussing on whether the council is obtaining appropriate assurance that quality standards are being maintained, and the reviewers' competence and training. (2019-10)	1	Practice guidance for assessors is being finalised and, once agreed, it will be posted on the intranet with other relevant policies, procedures and guidance for social workers. Comprehensive templates for performance management and quality assessment have been developed.	✓	✓	Substantial
Older People	Audit and assurance arrangements	A review of the in-service audit arrangements, focussing on supervision arrangements, medication compliance and support planning in residential settings. (2019-11)	1+2	The service checks in a number of ways that its control of medication, support planning and supervision in its homes is adequate and effective. We found no significant issues in relation to medication and support planning, but the service is aware that supervision meetings are not conducted for all staff, or sufficiently frequently.	✓	✓	Moderate
Older People	Management of service users' funds	A review of the controls in place to ensure that service user funds are appropriately safeguarded and accounted for, including contributions to and the use of the residents' amenity fund. (2019-12)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	N/A	Not applicable
Older People	Financial practice for self-funders	An assessment of the adequacy and effectiveness of the arrangements for recording and accounting for contributions due from self-funders, with a focus on accuracy and efficiency. (2019-13)	1+2	Guidance to staff regarding the financial processes supporting self-funded care in the council's establishments is inadequate. Information about the deposits held for service users has not generally been properly recorded and considerable effort is being made to identify the funds held by the council.	✓	✓	Limited

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
Disability Services	Safeguarding service users' finances in the Supported Living Service.	An assessment of the adequacy and effectiveness of the arrangements in place to ensure that the finances of service users who lack capacity are safeguarded. (2019-14)	1+2	The lack of compliance with policy requirements in a number of areas and limited managerial checks expose service users to the risk that any misuse or mismanagement of their finances would be difficult to detect and address.	✓	✓	Limited
Disability Services	Shared Lives recruitment	An assessment of the adequacy and effectiveness of the recruitment process, with a focus on transparency, compliance with policy and guidance, and the benefits of the panel approval process. (2019-15)	1+2	The panel approval process is effective in ensuring that applications are subject to appropriate scrutiny and challenge but there are weaknesses in recording fundamental steps and a failure to ensure that carers complete mandatory training promptly.	✓	✓	Moderate
Disability Services	Sickness absence arrangements	A review to assess compliance with the sickness absence policy for both short term and long term absence by operational managers, including the case review process and referrals to occupational health. (2019-16)	1+2	There are some areas of good practice, but also deficiencies in managing staff returning to work after sickness absence and in the documentation held.	✓	✓	Moderate
Patient Safety & Safeguarding	Operation of the residential quality assurance framework	Consideration of the adequacy and effectiveness of the improvement programme being developed to drive improvements in service delivery across the regulated care sector. (2019-17)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	N/A	Not applicable
Patient Safety & Safeguarding	Operation of the non-residential quality assurance framework	Consideration of the adequacy and effectiveness of the improvement programme being developed to drive improvements in service delivery across the regulated care sector. (2019-18)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	N/A	Not applicable
Patient Safety & Safeguarding	Safeguarding vulnerable adults	Audit of the arrangements to address safeguarding concerns including reporting to the Lancashire Safeguarding Adults Board. (2019-19)	1+2	The arrangements were not sufficiently settled during the year to support this audit work.	X	✓	Not applicable
Exchequer Services	Direct payments: adults' financial reviews	Assessment of the scope, frequency and timeliness of reviews of service users' expenditure of direct payments, including both desk-top reviews and visits to service users. (2019-20)	1+2	Financial assessment officers in the Finance Directorate follow robust procedures supported by process checklists, policies and guidance. Direct payment agreements are scheduled for review in accordance with their assessed risk and review schedules are monitored and managed.	✓	✓	Moderate
Policy, Information and Commissioning	Policy development	Input as a critical friend to the ongoing review and update of adult social care policies, to ensure Care Act compliance. (2019-22)	1	There is some good practice in the current policy development processes and a good basis to establish a more robust and structured framework going forward.	✓	✓	Moderate

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
Legal, Governance and Registrars	Adult social care complaints	Consideration whether the service is appropriately identifying the lessons learned from complaints and amending its practices and procedures to improve service provision. (2019-23)	1+2	Some good practice is in place and lessons are generally learned from complaints, but the process could be improved further, particularly in respect of joint complaints about the council and NHS bodies, and in promoting changes to operational activity.	✓	X	Moderate
A sample of all	Business continuity arrangements	An assessment of the business continuity arrangements across adult social care services. (2019-24)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	N/A	Not applicable
Health Equity & Partnerships	Contract monitoring: 0-19 years' health care professionals	Assessment of the adequacy of the contract monitoring arrangements to ensure that the service is provided to appropriate standards and ensures service user outcomes are achieved. (2019-25)	1+2	After some initial problems, the contract is being appropriately monitored.	✓	X	Moderate
Health Equity & Partnerships	VIP enquiries	Consideration of the adequacy and effectiveness of the case management arrangements to manage the demand for and response to VIP enquiries. (2019-26)	1+2	The VIP communication system is adequately designed to manage and monitor enquiries received by the council. We identified no further changes that could reduce the resources required within the Health, Equity and Partnerships service to respond to enquiries.	✓	✓	Substantial
Health Equity & Partnerships	External sources of assurance over the council's activity and objectives	Work with Mersey Internal Audit Agency (MIAA) to understand their work in the region that may provide assurance over the council's objectives as well as those of MIAA's NHS clients. (2019-27)	1	This has been discussed with Mersey Internal Audit Agency but has not yet resulted in any additional assurance relating to the council's partners in the NHS.	✓	N/A	Not applicable
Trading Standards & Scientific Services	Safe Trader Scheme	An assessment of the management and monitoring arrangements in place over the operation of the Safe Trader Scheme. (2019-28)	1+2	Controls are adequately designed and effectively operated overall, but we found one lapse in control and agreed action to ensure that the council's income from the scheme is complete.	✓	✓	Moderate
Health, Safety & Resilience	Educational off-site visits	Assessment of the adequacy and effectiveness of the risk assessment process and the compliance checks conducted by the Health, Safety and Resilience team. (2019-29)	1+2	The systems in place are well designed and subject to continual review and improvement, and we noted several areas of good practice.	✓	✓	Moderate
Health, Safety & Resilience	Contract monitoring: Occupational Health Service	Consideration of the adequacy and effectiveness of the council's oversight of the outsourced occupational health services. (2019-30)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	N/A	Not applicable
Education & Children's Services							
Children's Social Care	Delivery of the Children's Services improvement plan	Assessment of delivery against the improvement plan, including implementation of action, benefits realisation, service-level monitoring and reporting to the directorate management team. (2019-31)	1+2	The framework of controls to govern the delivery of the Children's Services Improvement Plan is well designed and actively managed, but there are some weaknesses in the management of its delivery.	✓	X	Moderate

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
Children's Social Care	The Sufficiency Strategy for children looked after	Assessment of the adequacy of controls to ensure that the strategy is implemented effectively. (2019-32)	1	Although the current strategy needs to be renewed, the key risks affecting its implementation are adequately controlled.	✓	X	Substantial
Children's Social Care	Prevention of child exploitation.	Assessment of compliance with the new process, including follow up of the actions agreed in 2018/19. (2019-33)	2	The council's responses to the risks of child exploitation have been reviewed and a revised action plan has been developed by the new management team. This audit has therefore been deferred.	X	N/A	Not applicable
Children's Social Care	Payments to external care providers	Assessment of the effectiveness of controls for managing payments to external care providers, including their accuracy and validity. (2019-34)	1	The framework of controls in place should ensure that placements are generally available for children looked after by the council, but systemic delays in payments to providers place the availability of provision at risk.	✓	X	Limited
Children's Social Care	Caseload management	Audit of the controls to manage the allocation of casework to social workers. (2019-35)	1	A revised social care safeguarding model is being developed which will considerably impact the allocation of social workers and the management of caseloads within Children's Social Care. This audit has therefore been deferred.	X	✓	Not applicable
Children's Social Care	Supervision and support	Audit of the adequacy and effectiveness of supervisions, including frequency, timeliness and impact. (2019-36)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	X	Not applicable
Children's Social Care	Independent reviewing officers (IROs)	Audit of the adequacy and effectiveness of the IROs' role in providing oversight and assurance over practice quality assurance. (2019-37)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	X	Not applicable
Corporate Parenting	Corporate Parenting Strategy	Audit of the adequacy of controls to ensure that the corporate parenting strategy is implemented and effectively operated. (2019-38)	1	Proper arrangements have been put in place to implement the Corporate Parenting Strategy, but action is required to ensure that these arrangements work in practice.	✓	X	Moderate
Inclusion	Special Educational Needs and Disabilities (SEND) Partnership improvement plan	Assurance over the development and implementation of the improvement plan including governance structures, decision making and monitoring. (2019-39)	1+2	A partnership of the agencies across the county responsible for improving the issues identified by Ofsted and the Care Quality Commission has been formed and is addressing the issues identified by them using a robust governance framework.	✓	✓	Substantial
Inclusion	Direct payments	Follow up of the 2017/18 audit supported by further testing based on the risk and control framework already agreed.	2	Although progress is being made, there are still a number of problems in the way direct payments are operated that adversely affect both service users and the council.	✓	✓	Limited

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
Fostering, Adoption, Residential & Youth Offending Team	Special guardianship orders	Assessment of the controls to assess entitlement to special guardianship financial support including means testing and calculation of payment, conditions, enhancement payments, ongoing entitlement and reassessment. (2019-41)	1+2	Although families are receiving the financial support they need, the way the system is operated means that some will receive more support than would be deemed necessary under the relevant regulations, either on an ongoing basis or temporarily.	✓	X	Limited
Safeguarding, Inspection & Audit	Children's Services' in-service audit framework	Assessment of the adequacy and effectiveness of controls over the operation of the audit framework including testing of audit activity on casework and supervisions. (2019-42)	2	A quality assurance framework sets out a systematic approach to quality assurance through assessing practice and identifying any improvement needs. However limited resources and the need to support additional external reviews mean that not all of the assurance processes are operating effectively.	✓	✓	Moderate
Safeguarding, Inspection & Audit	Transition to new local safeguarding arrangements	Assessment of the establishment of governance structures and review partnerships, and the transition to national and local reviews. (2019-43)	1	The transition to the new partnership arrangements to safeguard children in Lancashire has not been effectively planned or implemented by the partners, and the effectiveness of the new multi-agency Children's Safeguarding Assurance Partnership is likely to be significantly impaired until the new arrangements are properly resolved.	✓	X	Limited
Safeguarding, Inspection & Audit	Child safeguarding practice reviews	Assessment of controls following the transition of serious case reporting from the local safeguarding board to new partnership boards. (2019-44)	1	The new child safeguarding practice review panel arrangements are not yet operating as they should and the framework is not yet in place to ensure that the lessons are learned from local or national cases. However transitional arrangements are in place to ensure that all case reviews are held within statutory timelines and no learning is lost.	✓	X	Limited
Safeguarding, Inspection & Audit	Lancashire Safeguarding Children's Board (LSCB) governance of expenditure	Audit of the adequacy and effectiveness of controls to ensure that purchasing by the LCSB is valid, legitimate and provides value for money. (2019-79)	1+2	The board has had no effective financial management and oversight arrangements, and illegitimate or uncontrolled spending, or error, could occur. However we did not identify any illegitimate or inappropriate spending. Similar arrangements are in place to support the Lancashire Safeguarding Adults Board and the council's senior managers are therefore taking action to ensure that financial arrangements are strengthened and that there is appropriate transparency in the use of funds.	✓	✓	Limited
Education, Quality and Performance	Children missing from home or school.	Audit of the adequacy and effectiveness of controls to identify and track children missing from home or school, building on the work done in 2018/19 on school exclusions. (2019-45)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	X	Not applicable

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
Libraries, Museums & Culture	Re-imagining the Harris	Work to understand the overall programme and the implementation of its component parts with Preston City Council. (2019-46)	1	Appropriate governance arrangements have been established and are operating effectively, and the project is being effectively monitored.	✓	X	Substantial
Libraries, Museums & Culture	Safekeeping of heritage assets held in museums and libraries	Assessment of the controls in place to ensure that heritage assets held in museums and libraries are exhibited, stored and moved safely and securely. (2019-47)	1	The control framework covers all key areas regarding the safe and secure storage, display and transport of heritage assets.	✓	✓	Substantial
Financial Management (Development & Schools)	Schools thematic audit: procurement	Audit of a sample of schools' arrangements for procuring goods and services. (2019-48)	1+2	Although there are some small deviations from best practice and schools' financial regulations, these were not significant in the schools we visited.	✓	✓	Moderate
Financial Management (Development & Schools)	Development of a schools audit function	Work to support management's development of assurance over the county's maintained schools. (2019-83)	1	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	X	Not applicable
Growth, Environment, Transport & Community Services							
Highways	Management of the Highways Service cost savings	Work to understand and assess the service's plans and action to deliver service improvement. (2019-49)	1+2	The controls in place to monitor the savings are adequately designed, but the Growth, Environment and Transport Finance Monitoring Board is monitoring significant slippage on the plans to achieve the service's savings targets and we found some errors in the information being provided to that board.	✓	X	Moderate
Highways	Highways stocks and stores	Assessment of the arrangements in depots for the proper management of stocks and stores, including their security and the treatment of wastage. (2019-50)	1+2	Whilst the storerooms in depots are operated to support the work of the highways operatives efficiently, stock is not well controlled and in 2019 £293,000 (13%) was written off its value, arising from discrepancies between physical stock and the accounting records.	✓	X	Limited
Highways; Public & Integrated Transport	Health and safety at operational depots.	An audit of the controls to manage the risks to operatives' and the public's health and safety at transport and highways depots. (2019-51)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	N/A	Not applicable
Public & Integrated Transport	Operation of the non-HGV vehicle fleet	Audit of the effectiveness of controls over the operation of non-HGV council fleet. (2019-52)	1+2	There is no single set of readily accessible policy, procedures and guidance that addresses issues such as drivers' eligibility and fitness to drive, and vehicle roadworthiness and safety. Other than in the Highways and Transport Directorate, managers and drivers generally have a limited and inconsistent awareness of the council's requirements, and compliance with them is therefore variable.	✓	X	Limited

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
Lancashire Enterprise Partnership (LEP) Coordination	Operation of the LEP assurance framework	Consideration of the adequacy of the assurance over the activities of the LEP following the change in legal status with effect from April 2019. (2019-53)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	N/A	Not applicable
Planning & Environment	The Countryside Service	Consideration of the adequacy and effectiveness of the processes and controls that ensure sites remain open and safe in accordance with the Occupiers Liability Act. (2019-54)	1+2	Limited resources have resulted in gaps in the framework of control in 2019/20 but these will be addressed in the coming year.	✓	✓	Limited
Pension Fund							
Pension Fund	Collecting contributions from employers	Assessment of the controls over the collection of contributions from employers. (2019-55)	1+2	The control frameworks within both Lancashire Pension Partnership (LPP) and the county council are adequately designed and operating effectively. The two organisations should ensure they share information better about the queries they raise with employers, as these are often the same.	✓	✓	Substantial
Pension Fund	Employers' satisfaction with the Fund's administration	Support to management through an independent survey of the employers' satisfaction with the Fund's administration. (2019-82)	1	The survey of employers has not taken place so no support was necessary.	N/A	✓	Not applicable
Control framework: Service support							
Health, Safety & Resilience	Compliance with lone worker arrangements in services across the council	For a sample of service areas, we will assess compliance with the new lone working arrangements introduced by the Health, Safety and Resilience team. (2019-56)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	X	Not applicable
Core Systems	Management and monitoring of system changes	A review of the adequacy of the controls in place over the introduction of changes to the core ICT systems. (2019-57)	1	Changes to the council's core IT systems are appropriately controlled by the service using the system, the Core Systems Service and BTLs.	✓	✓	Substantial
Core Systems	Improved data management	Work to understand the action being taken to improve the council's data quality and management. (2019-58)	1	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	N/A	Not applicable
Asset Management	Premises Asset Management System (PAMS) improvement plan	Assessment of the action being taken to ensure that PAMS properly supports the organisation's objectives and operates effectively. (2019-59)	1	Improvements to PAMS are being addressed by individual services, reflecting the different specialisms and nature of the work areas, and it is to appropriate to audit them as a single programme.	N/A	✓	Not applicable
Asset Management	Highways authority funding	Assessment of the adequacy and effectiveness of the arrangements underpinning the completion of the Highways Authority self-assessment. (2019-60)	1+2	The framework of control is adequately designed, but some actions are required to ensure that it meets the requirements of the Department for Transport self-assessment guidelines and the service's objectives.	✓	✓	Moderate

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
Asset Management	Contract monitoring: Building Schools for the Future (BSF) contracts	Assessment of the procedures in place to monitor the BSF contracts, both their financial performance and in relation to the health and safety of staff and students in the school buildings. (2019-61)	1+2	The arrangements supporting renewed oversight of the contracts to operate the schools in Burnley under the former Building Schools for the Future programme are being revised and the audit was therefore deferred.	N/A	✓	Not applicable
Asset Management	Premises compliance: health and safety in properties managed by the council	Assessment of the process by which compliance with statutory and other requirements is assured by the compliance team for properties managed by the council. (2019-62)	1+2	Whilst the current inspection process is comprehensive, there are some significant weaknesses in its effectiveness including insufficient visits to properties, a poor return rate of annual statements of compliance and a lack of assurance that weaknesses have been addressed.	✓	X	Limited
Asset Management	CCTV surveillance conducted from the council's estate	Confirmation that the council is compliant with the General Data Protection Regulation (GDPR) and any requirements related to the use of CCTV cameras and retention of data obtained from them. (2019-63)	1+2	The council's arrangements for the use of CCTV span more than one service, none of which has overall control. Audit work has therefore been problematic over a number of years and has still not been progressed. However, on this basis, assurance that the council is compliant with the relevant regulations cannot be more than limited.	X	X	Limited
Skills, Learning & Development	Implementation of the new e-learning system	Assessment of the controls supporting the effective implementation of the system, focussing on the areas of the council most reliant on staff training and development. (2019-64)	1+2	The implementation of a new system has not yet been progressed. The Internal Audit Service will participate in the project board when it begins to meet again.	N/A	X	Not applicable
Human Resources	Sickness absence management	Assessment of the corporate management of sickness absence, by performance monitoring and the provision of support to operational managers. (2019-65)	1	The framework of corporate controls over sickness absence appears adequately designed to achieve the council's objective of minimising the number of days lost to sickness if operated effectively by its managers.	✓	X	Substantial
Procurement	End-to-end procurement to payment process	Audit of the end-to-end processes operated from the procurement of new suppliers through to processing payments. (2019-66)	1+2	The council has robust procurement rules and normally operates in compliance with them.	✓	✓	Substantial
Control framework: Business processes							
Core Systems	Oracle user access	Review of the improvement plan. (2019-67)	1+2	In July 2018 we provided moderate assurance that there is an adequate and effective control framework in place to protect Oracle against unauthorised access. The Core System's team has continued to make further improvements that will be subsumed into the overall Oracle Replacement project so this audit has been deferred.	N/A	✓	Not applicable
Payroll Service	Payroll processing by BTLs of information provided by LCC	Compliance testing of the key controls. (2019-68)	2	Payments through the council's payroll system are adequately and effectively controlled.	✓	✓	Substantial

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
Payroll Service	Payroll overpayments	Compliance testing of the key controls to prevent, detect and correct overpayments. (2019-69)	2	Although payroll overpayments continue to be made, and have increased over the past year they are a small proportion of the total and generally arise as a result of mistakes by the council's managers.	✓	✓	Moderate
Exchequer Services	Accounts receivable: central controls	Compliance testing of the key controls, including review of the testing approach. (2019-70)	1+2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	X	N/A
Exchequer Services	Accounts payable: central controls	Compliance testing of the key controls, including review of the testing approach. (2019-71)	1+2	Adequate and effective controls are operated over these payments.	✓	✓	Substantial
Exchequer Services	Cash and banking	Compliance testing of the key controls. (2019-72)	2	Insufficient audit work has been undertaken and no further work was possible around the year end.	X	N/A	Not applicable
Exchequer Services	General ledger	Compliance testing of the key controls. (2019-73)	2	The controls over the transactions posted to the ledger are adequate and effective, and in particular the control accounts are accurately maintained and reconciled monthly.	✓	X	Substantial
Pension Fund	Accounting for the Pension Fund through the council's general ledger	Compliance testing of key controls. (2019-78)	2	The controls over the transactions posted to the ledger are adequate and effective, and in particular the control accounts are accurately maintained and reconciled monthly.	✓	X	Substantial
Exchequer Services	VAT	Compliance testing of the key controls. (2019-74)	2	Effective procedures are in place.	✓	✓	Substantial
A sample of all	Mileage claims by staff across the council	Testing of compliance with corporate policy including insurance cover, driving licence and V5 checks. (2019-75)	1+2	Relevant policies are inadequate and not well communicated, and system controls and managers' checks are insufficient to prevent inappropriate claims being made.	✓	X	Limited
Investment	Treasury management	Compliance testing of the key controls. (2019-76)	2	The council's treasury management framework complies with CIPFA's code of practice 'Treasury Management in the Public Services' and the council complies with the indicators it has set. Its operational borrowing limit has been increased during the year to take advantage of favourable interest rates.	✓	X	Substantial
Financial Management (Development & Schools)	Schools' Financial Value Standard (SFVS) self-assessments	Review of a sample of SFVS self-assessments for 2018/19 to ensure their assertions are supported by adequate evidence. (2019-77)	2	All schools submitted self-assessments for 2018/19 reflecting their governance and financial arrangements, and the ones we tested were supported by appropriate evidence.	✓	✓	Substantial
ICT processes							
BTLS	ICT service governance	Review focussed on the control framework the council has established with BTLS over the ICT service provided. (2019-ICT-8)	1+2	The contract with BTLS will come to an end in March 2021 but its key performance indicators have recently been made more robust. The key policies which should support a strategic view of the council's current and future business needs are not yet available but are nearing completion.	✓	✓	Moderate

Outcomes of all audit work undertaken under the internal audit plan for 2019/20

Service area	Operational area of activity	Audit work (and reference number)	Type ¹	Summary of findings	Completed	Agreed ²	Assurance
BTLS	ICT service management	Review of service management arrangements within BTLS and the council's Core Systems Team in accordance with service management and delivery standards. and other service management and delivery standards. (2019-ICT-2)	1+2	ICT service management is currently split between the council and BTLS. BTLS operates effective controls over recovery from incidents, implementation of system changes, service-user requests and knowledge management but the council is still working to develop the controls it needs.	✓	✓	Moderate
BTLS	Critical application: Liquidlogic Adults System (LAS)	Consideration of the system's security, performance, resilience, backup and recovery and support arrangements. (2019-ICT-3)	1+2	Although some action is necessary to improve the control framework in some respects, the council and BTLS are aware of this and are addressing matters that they have already identified. Proactive measures are taken routinely to ensure the resilience and security of the system	✓	✓	Moderate
BTLS	ICT programme and project management	Review of the strategy and framework within which ICT programmes and projects are managed. (2019-ICT-9)	1+2	Work will continue in 2020/21 to complete this audit.	X	N/A	Not applicable

Matters arising from internal audit work for 2019/20

1 The nature of the audit work reported

- 1.1 This report highlights the issues arising from individual audit engagements that the Audit, Risk and Governance Committee should be aware of in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.
- 1.2 The work reported here is fully supported by evidence gathered by the internal auditors but the conclusions have not in all cases been discussed with the audits' sponsors, generally the council's directors. It is therefore possible that additional evidence is available to support or counter the auditors' conclusions, or that sponsors' views could differ from the auditees'. In some cases the auditors might have wished to undertake further testing but were unable to do so whilst the organisation was fully involved in responding to the Covid-19 pandemic.
- 1.3 However in late March and early April 2020 the Internal Audit Service finalised all of the audit work it had begun. We concluded wherever possible by providing assurance over the adequacy of design and/ or effectiveness in operation of the controls audited and that assurance is reported here.

The types of audit work undertaken

- 1.4 As described in the audit plan for the year, audit work may be directed towards understanding the control framework of a service, system or process (the first phase of a full audit), testing the operation of an established control framework (the second phase of a full audit), or both (a full risk and control evaluation audit). Each audit in the plan has therefore accordingly been designated as 'type 1', 'type 2' or 'type 1+2', and this broadly indicates the scope of the assurance we can give.
- 1.5 Where audit work has been reported below but not discussed, or not in any detail, with its sponsors it is highlighted as being 'not agreed'.

2 Audit work completed on governance controls

- 2.1 Governance has been addressed as an element of a number of audits during the year. We have identified no matters that cause any concern for the governance of the council as a whole. Until the year end the council was continuing to identify further financial savings, address its structural funding gap effectively and reduce the long term need for support from reserves, but its financial resilience will clearly have been challenged by the onset of Covid-19 at the end of the year and early 2020/21.

Oversight of Local Pensions Partnership Ltd

(Substantial assurance: type 1+2)

- 2.2 The council is the administering body for Lancashire Pension Fund and has outsourced the Fund's administration and investment functions to the Local Pensions Partnership Ltd group (LPP). With the London Pension Fund Authority it is one of LPP's two shareholders. At the same time the council/ Lancashire Pension Fund is LPP's client for LPP's investment and administration functions.

Matters arising from audit work for 2019/20

- 2.3 LPP has been operational since 2016 but over the last two years has experienced some turbulence in its senior management team. Its members' administration function has performed variably and not always as the council and its other clients would have wished, although its effective investment performance has ensured that the Pension Fund fully met its liabilities as at 31 March 2019 (prior to the current instability in the markets associated with Covid-19).
- 2.4 A small team within the council is responsible for ensuring that LPP operates within the parameters set out by the council in its Governance Policy Statement and shareholders' agreement, and it does this effectively. Where matters require escalation within the council this is achieved and the most senior councillors as well as officers have become involved when necessary.
- 2.5 The governance framework set out in the Governance Policy Statement is effective and operates well both to drive and monitor LPP's investment function. The Investment Panel, formed of the head of the fund and two independent experts, provides expert professional advice in relation to investment strategy to LPP and the Pension Fund Committee, and holds LPP to account against clear benchmarks.
- 2.6 The issues within LPP's administration function over the last two years have necessitated a specific set of responses by the Pension Fund. These have involved the Pension Fund Committee, the Local Pension Board, a councillor-led performance review group, and various statutory officers. This has ensured that the council and Pension Fund have been aware of the issues and appropriately involved in resolving them effectively. As LPP's senior management team settles down again and the group begins to operate under its new corporate structure the council will be able to operate more systematic oversight.

The assurance provided by the Pension Fund's own internal auditors

(Limited assurance)

- 2.7 During 2019/20 Deloitte has completed and reported four audits under the third year of its three-year risk-based audit plan, two of which relate to LPP's own operation rather than its work in administering the Fund or investing on its behalf. Because the scope of audit work on LPP's activities and the information available about it are both restricted, the council can take only limited assurance over LPP's work.

Planning for the return of services from BTLS to the council

(Moderate assurance: type 1)

- 2.8 The ICT, Payroll and Recruitment Services are currently managed and operated by BTLS but will return to the council from 1 April 2021. The project needs to be carefully managed to ensure uninterrupted service delivery and a smooth transition, and will involve a range of the council's support services. SOCITM has therefore been appointed to manage the process and an Executive Programme Board meets monthly to oversee the transition.
- 2.9 Reasonable progress has been made and the council, SOCITM and BTLS have comprehensive plans in place, and these plans are now being aligned. Good project management practices are being followed.

Matters arising from audit work for 2019/20

- 2.10 An effective control framework has therefore been established and will be put into operation over the coming months to ensure that the council is ready to manage the services and staff again.

3 Audit work completed on business effectiveness controls

Risk management (Substantial assurance: type 1+2)

- 3.1 The council's risk management framework is based on international standards. It is embedded in the council's governance and decision making processes, identifies and reports key service and corporate risks and is periodically reviewed. It is supported by guidance, training and service-based risk champions, and effective action is taken to ensure service risk registers are updated quarterly. These, together with wider corporate and cross-cutting risks, inform the corporate risk register. Mitigating action is identified, reported and monitored.
- 3.2 Further improvements to the risk management framework are being trialled by Education and Children's Services. This will put directors at the centre of identifying strategic risks, and introduce more flexible reporting and a target risk rating.

4 Audit work completed on service delivery controls: Adult Services and Health & Wellbeing

Mental health case management (Moderate assurance: type 1+2: not agreed)

- 4.1 The specialist mental health teams provide social care and support for adults living with mental health conditions. They were previously managed by Lancashire and South Cumbria Foundation Trust and the council's staff worked to managers employed by the NHS.
- 4.2 New ways of working in adult mental health services were proposed in 2018, requiring the council to manage its own staff and implement a new service structure, to raise the standard of professional practice provided to those people with care and support needs, to improve the accuracy of data recorded on social care systems, and improve performance reporting. From 5 November 2018 case information was recorded on the Liquidlogic Adults System (LAS), and the changes to the council's staff structure were implemented between January and March 2019.
- 4.3 The new framework of control is adequately designed and effectively operated. In particular we observed team managers from the council and NHS working collaboratively and efficiently to assess and progress cases, using LAS and the NHS electronic care record system, assigning priority based on risk and case complexity, scheduling client appointments with workers, and reassigning cases as appropriate. We saw evidence that the new strength-based approach is being used and that assessments and support planning are completed thoroughly, identifying service users' abilities as well as needs.
- 4.4 Nonetheless some action has been agreed to improve the submission of cases to the mental health complex case forum, ensure the more timely review and closure of cases, and greater accuracy of case notes and information recorded.

Matters arising from audit work for 2019/20

Service challenge governance

(Substantial assurance: type 1+2)

- 4.5 Included within the corporate service challenge savings target of £77.171 million are 17 projects relating to adult social care, which aim to save a total of £42.532 million over the four years to April 2023, or 55% of the total. Some represent a continuation of the Passport to Independence programme and others represent the improvement of existing practices and performance.
- 4.6 There are some examples of good practice in managing the cost saving projects, including robust governance that facilitates decision making and reporting to the executive director. Some work is being done to more clearly distinguish between the delivery of savings through the project delivery boards, and normal business oversight by the performance boards, but both report to the Transforming Adult Social Care and Finance and Monitoring Board.
- 4.7 Although there are issues in meeting operational activity and savings targets – there have been fewer referrals, reviews and assessments than intended, which has resulted in savings being delayed – these have been raised and reported appropriately.
- 4.8 The Programme Office is responsible for facilitating the directorate in delivering its savings but has previously spent a lot of time obtaining and collating performance information, and in minute-taking, although this is being addressed. The use of the same accounting codes for savings generated by different projects has caused some problems in identifying the progress of individual projects, but this is being resolved.

Provider-led reviews

(Substantial assurance: type 1)

- 4.9 The council has a legal duty to offer a free carer's assessment if it appears that a carer may need support. N-compass North West and Carers Link Lancashire have been selected to carry out statutory carers' assessments on our behalf and to provide support to adult carers.
- 4.10 Practice guidance for assessors is being finalised and, once agreed, will be posted on the intranet with other relevant policies, procedures and guidance for social workers. Comprehensive templates for performance management and quality assessment have been developed.
- 4.11 A control framework has been designed but is not yet in operation. The contract monitoring arrangements' effectiveness in operation will largely depend on the quality of the routines employed to validate and verify the data that will be supplied by the providers.

Older People Service's audit and assurance arrangements

(Moderate assurance: type 1+2)

- 4.12 The Older Peoples' service provides 16 residential homes for older people throughout Lancashire. Each home has a registered care manager who is responsible for the regulated services provided by the care home and ensures that all staff comply with the council's policies, procedures and operational guidance, which are designed to comply with the requirements of the Care Quality Commission.
- 4.13 The service assures itself in a number of ways that its control of medication, support planning and supervision in its homes is adequate and effective. However the number of actions arising from the in-service audit work is

Matters arising from audit work for 2019/20

generating significant numbers of actions for managers, which are becoming onerous and there may be more efficient ways to address the issues being identified.

Medication

- 4.14 Managers and staff are required to confirm that they have read and understood the medication policy and procedure document, which is clear about the checks to be performed and how these should be recorded, including manager unannounced inspection visits and senior manager audits. Weekly medication audits are carried out in the four homes we visited, although the homes take different approaches, with some checking each medicine cabinet each week and others doing this on a sample basis.

Support planning

- 4.15 A new support plan policy is currently being implemented across each of the homes. All support plans are subject to review, whether in full or more lightly, and then potentially also further reviewed if they are selected during an unannounced inspection by a manager or during a senior manager audit.

Supervision

- 4.16 The supervision policy is available on the intranet but is out of date and inconsistent with current practices, and contains little information to support managers in supervising staff appropriately. Records of supervision are not consistently kept.
- 4.17 The senior operations managers regularly check the frequency of supervision meetings and are therefore aware that they are not currently being conducted for all staff or sufficiently frequently. Both the registered care managers and assistant care managers consider that they cannot complete the number of formal supervisions required without this impacting on their other duties. Routine qualitative checks on the content of supervision meetings are not currently being conducted.

Older People: financial practice for self-funders

(Limited assurance: type 1+2)

- 4.18 The council provides residential and day care services for older people across Lancashire. There are 16 care homes providing both short and long term residential care and some nursing care, and some specialist units for people with dementia. Thirteen day care centres provide day care and some of these also provide specialist dementia services.
- 4.19 Any of these establishments is available to any older person in the county whether or not their care is funded by the council. However those who are not eligible for social care services or who are eligible but have savings above the current threshold (£23,250) may choose to self-fund their care in the council's establishments.
- 4.20 There are relatively few self-funders and staff are not generally familiar with the necessary financial administration procedures for these clients and insufficient guidance is available to them. Although some relevant guidance is available in respect of admissions, discharges and income collection, other documentation in use is out of date, particularly that on the intranet or at establishments. Staff

Matters arising from audit work for 2019/20

struggle to navigate the relevant Adult Services intranet pages (Care Services) to locate the information they need.

- 4.21 Information and advice is available to prospective self-funding clients on the council's web-site and through discussions with staff at establishments. However limited evidence is retained of the information and advice being provided to them. In particular the customer enquiry form for residential services is not consistently used, although it could protect the council from complaints that self-funders are not adequately informed of the financial implications of accessing the council's services.
- 4.22 Self-funding service users are required to pay a deposit equivalent to eight weeks' fees before they enter into residential care. This is refundable when they leave or if there is a change in their financial circumstances that means they are eligible to claim a contribution from the council towards the costs of their care. However the information recorded by the council about these deposits is inadequate and a considerable piece of work is being undertaken jointly by Adult Services and the Finance teams to understand what funds the council holds for its service users. Information has not been properly recorded on all service users' files, and the descriptions on the accounting system are ambiguous and, in some cases, insufficient to identify the service user for whom the funds are being held.

Safeguarding service users' finances in the Supported Living Service

(Limited assurance: type 1+2)

- 4.23 Service users who do not have the capacity to manage their own finances are supported by staff in the Supported Living Service to live in the community in their own home under a tenancy agreement. Service users have their own Individual Financial Profile that sets out their weekly budget and incorporates costs for social activities.
- 4.24 We identified no specific issues in the records and receipts we examined to suggest that service users' funds have been misappropriated or inappropriately managed, but the lack of compliance with policy in a number of areas and limited managerial checks expose service users to the risk that any misuse or mismanagement of their finances would be difficult to detect and address.
- 4.25 Policy and guidance documents are in place but have not been updated since they were issued in October 2015 and are not included in staff induction. This may contribute to the inconsistent application of policy in some areas. Individual financial profiles were in place for all service users we tested but some were incomplete or based on old information, indicating that they had not been reviewed as they should have been.
- 4.26 Whilst there is evidence that the team managers regularly review the personal account and housekeeping books, we found examples where the team manager had failed to identify instances of non-compliance with policy, and there is no evidence that managers conduct any further spot checks. In particular there is a high level of non-compliance with the requirement to highlight specific staff costs and for the area domiciliary manager to approve withdrawals of more than £500.

Matters arising from audit work for 2019/20

Shared Lives recruitment

(Moderate assurance: type 1+2)

- 4.27 The Shared Lives service recruits, supports and trains carers from across the local community to provide long term, short term, day support and emergency care for adults. Lancashire's service is the largest in the country and has been recognised as outstanding by the Care Quality Commission. Prospective carers undergo a lengthy application, training and assessment process and the recruitment process is effective and efficient, ensuring that newly appointed carers deliver good quality support, safely and consistently.
- 4.28 However there is a lack of evidence that some key steps have been taken including evidence for background checks, carer contracts, placement agreements, induction visits, and home fire safety checks
- 4.29 Carers are required to undertake mandatory training in several areas within 12 months of approval but, of ten families recruited between January 2017, and April 2018 there was no record that all training had been completed by seven, and five of these have been allocated long term placements.

Sickness absence management within the Disability Service

(Moderate assurance: type 1+2)

- 4.30 Reducing sickness absence is key to achieving the council's savings target as well as to supporting its staff effectively. There are approximately 1,200 staff in the Disability Service, which is among the ten services with the highest levels of sickness absence across the whole council. The service has been challenged to reduce the number of days it loses to sickness to 14.75 days per year per full time equivalent employee.
- 4.31 There are a number of areas of good practice in sickness absence management across the services including generally accessible policies, reporting and active monitoring of sickness levels by managers supported by colleagues in Human Resources, and access to professional advice and treatment where appropriate. Case reviews are undertaken promptly.
- 4.32 However there are delays in holding return to work interviews and these are not always held face-to-face, which would be more effective in supporting sick employees and encouraging them to remain in work in future. There are discrepancies between the absence dates entered onto the Oracle HR system and those on local records, and documentation is not always properly completed and retained. This erodes the council's ability to take robust action where necessary and to defend the action it has taken to deal with repeated sickness absence.

Direct payments: adults' financial reviews

(Moderate assurance: type 1+2)

- 4.33 Direct payments are one of the ways individuals can choose to receive their personal social care budget and use it to meet their assessed eligible care needs. Some of the direct payment can be used by service users to employ a personal assistant or to pay someone to manage their responsibilities as an employer. The person receiving and/ or managing a direct payment is responsible for keeping records to show how money has been spent and ensuring money is spent as agreed in the support plan.

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- 4.34 Around 4,100 service users – 3,700 adults and 400 children – receive direct payments totalling approximately £4.8 million per month or £57.6 million per year.
- 4.35 Financial assessment officers in the Finance Directorate follow robust procedures supported by process checklists, policies and guidance, and are comprehensively trained, although other than normal supervision processes there is no formal quality assurance of the reviews. It has been agreed that team leaders will periodically undertake dip-sampling of completed reviews to assess the quality of the information recorded and of the judgement regarding level of review, and to identify any issues or training requirements.
- 4.36 Direct payment agreements are scheduled for review in accordance with their assessed risk. Although there will always be a number of reviews outstanding at any point, the backlogs that had built up are now being addressed and review schedules are monitored and managed. Where reviews are significantly overdue this is generally beyond the control of the Financial Review team.
- 4.37 The primary record of details relating to the direct payment reviews is held on the finance software for adult social care (ContrOCC). Where it is clear to the financial assessment officers that social workers should be aware of any information relating to the reviews they also record this on Liquidlogic Adults System (LAS) or Liquidlogic Children's System (LCS).
- 4.38 A finance team leader attends the monthly Direct Payments Forum which is led by operational managers and also attended by operational and commissioning staff. It addresses any issues relating to direct payments including training, case anomalies and complaints.

Policy development

(Moderate assurance: type 1)

- 4.39 Following the introduction of the Care Act in 2014 the Policy, Information and Commissioning team has reviewed and updated the council's policies relating to adult social care. There is some good practice in current policy development and a good basis to establish a more robust and structured framework going forward. This includes oversight of policy development by a group involving finance, operations and legal staff as well as social care professionals, and the involvement of officers from the Policy, Information and Commissioning team who ensure that policy documents remain consistent with legislative requirements.
- 4.40 Mechanisms are in place to identify changes to legislation that might affect policy, and efforts are being made to build professional links with other teams around the council to ensure a consistent approach is adopted. The format and content of policy documents are being standardised where possible, and they are drafted to be easily read and understood.
- 4.41 However action will also now be taken to rationalise the pages on the intranet addressing adult social care policies, and to develop an overarching policy development strategy that clarifies what a policy document should be and how they are quality assured and maintained.

Adult social care complaints

(Moderate assurance: type 1+2: not agreed)

- 4.42 The council is statutorily required to have arrangements in place to deal with complaints in relation to social care, and if the complainant is not satisfied with

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the response they may refer it to the Local Government Ombudsman. The council has a dedicated complaints team dealing with adult social care and between April 2018 and October 2019 269 service users had made complaints. Of these, 92 generated potential points for improvement.

- 4.43 An annual report of complaints and customer feedback is considered by the Cabinet Committee on Performance Improvement. The Health Scrutiny Steering Group also receives a more specific report of the learning points raised through adult social care complaints that describes how the council had responded to the findings of the Ombudsman.
- 4.44 A quarterly report is produced that summarises the learning from complaints, and this is shared with managers and the principal social worker, and informs the work of Adult Services' Learning and Development Group. However there is no single point of responsibility for learning from complaints and promoting changes to operational activity, or for assessing the outcomes of any such changes.
- 4.45 A complaints policy is in place and training is provided for staff who are responsible for processing complaints. The guidance includes a standard letter template to ensure that complainants are notified of the action taken as a result of their complaint and informed of their right to escalate their complaint to the Local Government Ombudsman. However these templates are not consistently used and a review of the policy documentation is overdue.
- 4.46 The complaint handling process sets out timescales for responses and these are generally met, but the process does not address cases in which deadlines are missed and reminders are ignored.
- 4.47 The potential for lessons to be learned where complaints are made jointly about the council and NHS bodies is not fully exploited because they are not always reported to the Lancashire Joint Complaints Forum.

Contract monitoring: 0-19 years' health care professionals

(Moderate assurance: type 1+2: not agreed)

- 4.48 Since April 2019 the council has engaged Virgin Care Services Ltd to provide public health nursing services for young people aged 0 to 19, or 25 in some circumstances.
- 4.49 The contract establishes the quality outcomes expected from the service and sets out performance indicators which are regularly monitored by the council. There have been challenges in migrating data from the previous service provider and in implementing a new system, but action has been taken to resolve these issues and to obtain performance information manually. By the third quarter of the year key performance data was being produced from the system.
- 4.50 The integrity of the performance information is checked but more could be done to verify the services provided, perhaps through access to the service provider's online dashboard.
- 4.51 Payments under the contact have been made only after being appropriately approved.

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Handling VIP enquiries within the Health, Equity and Partnerships service

(Substantial assurance: type 1+2)

- 4.52 Enquiries from councillors, MP's, MEP's and other prominent sources are designated as VIP enquiries and managed accordingly. Between January and June 2019 2,736 new enquiries were logged, of which 1,968 related to Highways and 250 to the Health, Equity and Partnerships service. The Senior Leadership Team Support team administers the system, monitors responses to enquiries and produces reports for the Senior Leadership Team showing the time taken to respond.
- 4.53 The VIP communication system is adequately designed to manage and monitor enquiries received by the council, allocating an officer to address each enquiry, recording any action taken and scanning relevant documents. The dates on which enquiries are received, allocated and responded to can be logged to track progress. Reports can be produced to monitor outstanding enquiries and the time taken to respond for review by management.
- 4.54 At management's request we reviewed the operation of the VIP system specifically within the Health, Equity and Partnerships service where there was a backlog and more than 70% of enquiries between January and June 2019 exceeded the target response times of 10 days. However by July 2019 more than 90% of enquiries were being processed on time and we were informed that the service was catching up with the backlog. We identified no further changes that could be made to reduce the resources required within the service to respond to enquiries.

Safe Trader scheme

(Moderate assurance: type 1+2)

- 4.55 The Safe Trader Scheme accredits traders such as electricians, plumbers and builders who commit to providing good customer service and adhere to regulations. It is managed by the Trading Standards service which checks traders before they become accredited and then undertakes rolling checks.
- 4.56 The terms and conditions of the scheme and the extent of assurance provided by the council are clearly communicated to traders and consumers. Appropriate checks are undertaken on traders before they are accredited by examining relevant documentation and through site visits. We found that controls were operating effectively except in one case where a check was not properly undertaken and a trader was registered before confirming their mandatory external accreditation. An additional control will also be implemented to ensure that all accredited traders are appropriately invoiced.

Educational off-site visits

(Moderate assurance: type 1+2)

- 4.57 The Educational Off-Site Visit team is part of the Health, Safety & Resilience Service. It ensures that educational off-site visits are risk-assessed, planned, approved, carried out and evaluated in accordance with statutory requirements and the council's policy.
- 4.58 The systems in place are well designed and continually reviewed by the team and an advisory board: the actions arising from this audit are largely enhancements, aimed at improving the quality of management information. Although the team has numerous tasks to prioritise, sometimes with conflicting deadlines, its members are all clear about their individual priorities and manage them well. There are several areas of good practice including a comprehensive

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training programme, a system that supports effective monitoring and control as well as a helpful reporting and information tool, and good dissemination of lessons learned.

- 4.59 Where visits have not been recorded on the system by schools they cannot be subjected to the same dip sampling, compliance checks or monitoring. There is therefore a risk that some visits are incorrectly classified by schools and that the council does not have a complete picture of all the visits being carried out or an accurate number of incidents, accidents or near misses that may have occurred on these.
- 4.60 The team relies on schools and other establishments submitting information about their planned visits but a significant proportion of even relatively high risk visits are submitted late (40% within four weeks of the visit). However in the majority of cases the team is able to respond before the visit takes place.
- 4.61 An audit was undertaken by the team itself in mid-2018 to determine which establishments were using the system and whether they recorded all visits, higher risk visits only, or none at all and, if so, why. This work identified establishments that routinely misclassified visits or made unapproved visits, and those without an educational visit coordinator, and the team made direct contact with them.

5 Audit work completed on service delivery controls: Education & Children's Services

Delivery of the Children's Services improvement plan

(Moderate assurance: type 1+2: not agreed)

- 5.1 The Children's Services Improvement Plan is focussed on implementing the recommendations made by Ofsted in June 2018 and the actions arising from the directorate's own self-assessment to ensure the delivery of consistently good services. It sits alongside other strategies and plans including the Purposeful Practice Framework and Corporate Parenting Strategy. The plan for September 2019 to April 2020 sets out actions across six key areas and is supported by more detailed action plans to drive specific service improvements.
- 5.2 Three delivery boards (Transforming Children's Services, Family Safeguarding and Multi Agency Early Help) connect the overarching Getting to Good and Family Safeguarding Board and the operational delivery groups.
- 5.3 Both the Getting to Good and Family Safeguarding Board and the delivery boards meet regularly and performance data is produced that accurately reflects progress against the six key themes. However it is not clear that progress is being actively monitored or that remedial action is being taken where targets are not being met. Of 112 actions, 35 (31%) were either on target or closed, but nine (8%) which were due before December 2019 were either not rated or rated as 'red' with no explanation.

The Sufficiency Strategy for children looked after

(Substantial assurance: type 1: not agreed)

- 5.4 The Lancashire Children Looked After Sufficiency Strategy 2017-2020 describes how the council ensures that sufficient suitable, local accommodation is available to meet the needs of children in care at an acceptable quality and cost. Work to develop a new three-year strategy is planned but is likely to be

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affected by the Covid-19 pandemic. The current strategy is supported by the Securing Permanence policy of August 2019 which aims to reduce the number of children looked after. As at 30 June 2019 2,096 children were being looked after by the council.

- 5.5 The strategy has been periodically reviewed and amended by the Start Well Team to ensure it remains aligned with policies securing permanence for children, protecting them and strengthening families. Action has been taken to deliver the policy and identify the operational relationships and independencies between services. A service risk assessment is used proactively to identify, manage and mitigate the risks to achieving the strategy's objectives.
- 5.6 Social care professionals assess the needs of each child looked after and develop care plans, and these are confirmed by practice managers: a variety of placements are used to meet the planned outcomes. Cases are regularly reviewed, progress is monitored and outstanding issues are addressed, whilst health, education and other specialists ensure that specialist therapies, complex cases and ongoing placements are funded and delivered. Key performance information includes monthly finance reports and budgets are monitored as well as care outcomes.

Payments to external care providers (Limited assurance: type1: not agreed)

- 5.7 The council has a statutory duty to ensure that there are sufficient residential placements available to meet the needs of children and young people in its care. Suitable placements are commissioned, and the council aims to support the provision of placements in the county through market management and intelligence.
- 5.8 Various teams in the Children's Social Care and Finance Directorates work together to ensure payments to external placement providers are properly made. However the teams have not agreed understanding of their responsibilities for resolving queries on outstanding invoices and, at the beginning of April 2020, there were 839 unpaid invoices with unresolved queries totalling almost £2 million.

The Corporate Parenting Strategy (Moderate assurance: type1: not agreed)

- 5.9 The Corporate Parenting Strategy approved in December 2018 sets out the council's approach to corporate parenting and is underpinned by the Department for Education's seven corporate parenting principles. It was informed by consultation with relevant partners and children in care and identifies nine objectives in areas such as housing, health and education. These objectives are supported by the Corporate Parenting Strategy Delivery Plan which is monitored by the operational Permanence and Children in Our Care Board.
- 5.10 Governance arrangements have been put in place, including the statutory Corporate Parenting Board and an operational board, to oversee and monitor the effective delivery of the strategy. The statutory board is chaired by a county councillor and includes officers, care leavers and external partners including the police, schools and housing providers. However wider representation of children in care is required along with a more structured approach to engaging with young people at board meetings, and attendance by external agencies is lower than anticipated. Managers have also recognised that improvements are

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necessary to establish a clearer link between the strategic and operational boards and to improve reporting.

Special Educational Needs and Disabilities (SEND) Partnership improvement plan

(Substantial assurance: type 1+2)

- 5.11 Ofsted and the Care Quality Commission jointly inspected the local area's special educational needs and disabilities service in November 2017. They identified 12 areas of significant concern across the area including strategic leadership and vision, understanding of the local area, joint commissioning and engagement with parents and carers.
- 5.12 A partnership was formed of all the relevant agencies to address the issues, and its board includes representatives from the education and health sectors, parents and carers, young people and the county council. It is accountable to the Lancashire Health and Wellbeing Board, the Joint Committee of the Clinical Commissioning Groups, and Lancashire County Council's Cabinet.
- 5.13 A written statement of actions was initially developed by the partnership to address the 12 areas of concern and this has since been supported by a longer term improvement plan. This addresses four key priorities across 27 areas supported by 94 specific actions which directly address Ofsted's findings.
- 5.14 The partnership's governance structures, decision making and monitoring processes are sufficient to facilitate the management and implementation of the improvement plan. This control system is operating as intended and, as at September 2019, most of the actions have been reported as delivered or are progressing. Ten have been delayed and the reasons, with updates, are being reported to the board. Detailed evidence and data are retained by the SEND Partnership team within the council's Education & Children's Services.

Children's direct payments

(Limited assurance: type 2)

- 5.15 Personal budgets can be requested by the parents and carers of children and young people who have been assessed as needing an education, health and care plan, to fund services to support the outcomes for them. This can be administered through direct payments and approximately 400 young people receive direct payments from the council.
- 5.16 Progress is being made to address some of the issues raised during our last audit, which we reported in March 2018 (when we also gave limited assurance). Mandatory training has been introduced, the Inclusion Service has sound controls in place to produce, approve and review care plans, and there is improved recording of assessments, retention of financial agreements and evidence of manager oversight. However not all of the actions agreed have yet been fully implemented and we identified some further issues in addition.
- 5.17 The guidance for officers is being updated and improved in conjunction with Adult Services but it has still not been completed and published. The tool to assess service users' needs and budgets is not consistently used, financial agreements are not always completed prior to setting up or adjusting a package of care, and not all service users are formally notified of their care package. Further, adjustments made to budgets are not always correctly implemented resulting in several overpayments.

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5.18 It is also clear that there is a lack of adequate guidance regarding the application of direct payments within operational practice in Children's Social Care. Social workers are therefore applying their best judgement but there are inconsistencies in practice across the Education and Children's Services Directorate.

Special guardianship orders (Limited assurance: type 1+2: not agreed)

5.19 The Special Guardianship Regulations 2005 allow close relatives of children needing permanent care outside their birth family to seek parental responsibility under a special guardianship order (SGO) which offers security for the child without absolute legal severance from the birth family. This arrangement often follows temporary foster care of the child by their extended family; it offers the child and family more security than foster care, but is less financially rewarding for the carers. The council has approximately 900 children in 600 SGO placements.

5.20 Prospective special guardians' financial resources and the need for any additional financial support are assessed promptly and accurately. The amounts payable under SGOs should be reassessed periodically but the process supporting this has not yet been properly aligned between the finance and social care teams, and the reassessments that have taken place have not been actioned.

5.21 Where the family will be financially disadvantaged by a move from higher foster payments to lower SGO payments, social workers may award enhanced payments to cover some or all of the difference. The reasons for these and other enhanced payments are not always recorded on the system and there is not always evidence of managers' agreement to these higher payments. In some cases there are no end dates on the system, which may mean that they are never reviewed.

5.22 If enhanced payments are not awarded there are sometimes delays in implementing the newer, lower payments, resulting in overpayments. Overpayments are not always recovered promptly and in some cases are not recovered at all. Conversely, there are sometimes delays in initiating payments to guardians.

Children's Services' in-service audit framework

(Moderate assurance: type 2)

5.23 The Children's Social Care directorate includes an in-service audit team and a range of audit activity is undertaken by the in-service auditors, senior managers and independent reviewing officers. A quality assurance framework sets out a systematic approach to quality assurance through assessing practice and identifying any improvement needs.

5.24 In June 2018 Ofsted acknowledged that improvements in children's services are supported by an increased focus on quality assurance and learning across the workforce. It recognised that the quality assurance framework has become more effective and reliable and there is a clearer focus on improving outcomes for children and developing 'purposeful practice'.

5.25 Management information is produced and distributed to senior managers, good and poor practice is identified, and remedial action is carried out in different ways including training by advanced practitioners and weekly briefs produced

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by the principal social worker. However due to resource limitations and the need to support additional external reviews, not all the assurance processes have operated effectively. Four of six audits in the thematic audit plan agreed in October 2018 have been delivered, as well as a fifth unplanned audit, but they were not all delivered within planned timescales and action has not been taken to complete the outstanding audits or follow up implementation of agreed actions. Paperwork is not always fully completed and reflective learning has not always taken place.

- 5.26 A review of the audit framework by the head of service will address some of these issues.

Lancashire Safeguarding Children's Board (LSCB) governance of expenditure (Limited assurance: type 1+2)

- 5.27 The Lancashire Safeguarding Children Board was a statutory body with an independent chair, accountable to the county council's chief executive. Its members were senior managers from all the agencies in Lancashire with statutory safeguarding responsibilities and its purpose was to ensure these agencies work together effectively. It did this, for example, through reviewing cases where a child has died or been significantly harmed, and by providing guidance and training. It was supported by a team within the council's Safeguarding, Inspection and Audit Service and the council's Oracle financial system is used to record the board's budgets and financial transactions.
- 5.28 However the board has had no effective financial management arrangements and the absence of an adequate financial control framework has created conditions in which illegitimate or uncontrolled spending, or error, could occur. Nor has there been adequate oversight and scrutiny of the board's expenditure. We did not identify any illegitimate or inappropriate spending but it is likely that this lack of oversight contributed to the unchallenged accumulation of £307,000 of reserves at the end of 2018/19.
- 5.29 We understand that similar arrangements are in place to support the Lancashire Safeguarding Adults Board. The council's senior managers are therefore now taking action to ensure that board's financial arrangements are strengthened and that there is appropriate transparency in its use of funds.
- 5.30 The LSCB was replaced in September 2019 by new statutory area safeguarding arrangements across the whole of Lancashire under the Blackburn with Darwen, Blackpool and Lancashire Children's Safeguarding Assurance Partnership and its financial arrangements will be different from those for the LSCB.

Transition to new local safeguarding arrangements

(Limited assurance: type 1: not agreed)

- 5.31 In response to the revision of the Children and Social Work Act 2017, the county council and two unitary authorities, Lancashire Constabulary, and the eight local NHS clinical commissioning groups have been working together to establish a new multi-agency Children's Safeguarding Assurance Partnership. Their mutual aim is to strengthen child protection and safeguarding.
- 5.32 The three local safeguarding children's boards have now been replaced by one, and this Safeguarding Children Strategic Board has adopted a new structure

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which will provide greater independent challenge to its work and a focus on learning.

- 5.33 However the new partnership arrangements and governance structures have not yet been fully defined. Key decisions still need to be made and, in February 2020, it has still not been agreed which organisation will host the partnership and provide the business support structure. There is no plan to transition to any new arrangements. A communication strategy is in place but there has been no ongoing communication between stakeholders about their responsibilities.
- 5.34 A comprehensive overarching board governance structure was agreed at the outset but, although the terms of reference have been agreed for the Executive Board and Tactical Board, the sub groups' terms of reference have yet to be agreed. No business plan or risk register has been developed although a training plan has been developed for all stakeholders. It is not yet clear how the partnership will be funded in 2020/21.

Child safeguarding practice reviews (Limited assurance: type 1: not agreed)

- 5.35 The Children and Social Work Act 2017 requires that, where the council knows or suspects that a child has been abused or neglected and the child then dies or is seriously harmed, it must notify a child safeguarding practice review panel. Revision to the Act in 2018 allows for a pragmatic approach in deciding whether a case requires a practice review or another form of learning opportunity.
- 5.36 Following the transition to the new arrangements under the Children's Safeguarding Assurance Partnership the guidance supporting child safeguarding practice review panels has not been formally agreed or publicised and is not yet fully in operation.
- 5.37 During the transition, case review groups in each of the three councils are overseeing child safeguarding practice review panels and the action plans arising from them. Sub groups were established late in 2019 to deliver work-plans on specific themes, but these have not yet met and their terms of reference have not been agreed. Once these groups are operational, the Children's Safeguarding Assurance Partnership Case Review Group will oversee and consider learning opportunities from local and national cases, and the Quality and Performance Sub-Group will oversee implementation of the actions.
- 5.38 Case reviews that took place under the old arrangements are being monitored to ensure that no learning is lost and the statutory timelines are met.

Re-imagining the Harris Museum (Substantial assurance: type 1: not agreed)

- 5.39 The Harris Museum opened in 1893 and is a Victorian Grade 1 listed building owned by Preston City Council, which operates the museum and art gallery, whilst the county council leases 40% of the building to operate its largest library service. The Re-imagining the Harris project is a partnership between the two councils to reposition the Harris as an arts, culture, heritage and learning hub for the community and as a key regional visitors centre.
- 5.40 A vision and project master plan were developed in 2016 by the two councils, working with consultants, with estimated costs of £18.6 million. These will be funded by contributions from the councils and grants from other stakeholders,

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principally the Heritage Lottery Fund, Lancashire Enterprise Partnership and the Arts Council England.

- 5.41 A formal project management methodology and a governance structure have been established to deliver the master plan. Partners and key stakeholders are fully involved in the development of the project. County councillors provide political representation on the Joint Members Group, the council's head of libraries, museums, culture and registrars sits on the Programme Board, and her service manager is a member of the project team. Other council officers are actively involved in delivery of the project.

Safekeeping of heritage assets held in museums and libraries

(Substantial assurance: type 1)

- 5.42 Heritage assets are items with historic, artistic, cultural or information value and the council has an extensive collection displayed or stored in its own and partners' museums, libraries and archives. It is important that they are managed effectively to reduce the risk of damage, theft or loss.
- 5.43 The Collections Management Strategy is comprehensive and sets out strategies for collections' information, access, care and conservation. Supporting policies include information on asset storage, display, security and transport. Further procedures and guidance cover insurance, loans and donations, building security, CCTV, and counter terrorism amongst other things. Staff expertise is concentrated in museums and the archive office, where the majority of significant cultural items and collections are displayed and stored.

Schools' procurement processes

(Moderate assurance: type 1+2)

- 5.44 Procurement activity in schools is governed by the council's Scheme for Financing Schools in Lancashire. We visited a sample of 15 schools across the county: nine primary, five secondary and one special school.
- 5.45 Schools are required to set out procurement policies and procedures in their financial regulations, and many based them on the council's model regulations, but not all schools maintain more detailed process notes, relying on the knowledge of key staff. Registers of interest support transparent decision making and are completed annually by governors, but not by all staff with a significant involvement in purchasing.
- 5.46 Procurement is carried out based on the expected value of the goods or services and in most schools comparable quotes and appropriate approvals are obtained, including from governing bodies. However, half the schools we tested did not consistently obtain three quotes when required to, and did not seek the approval of their governing body when selecting a supplier who had not submitted the lowest quote. One school did not obtain the approval of its governing body for building works of approximately £150,000 in value.
- 5.47 We have provided feedback to individual schools and produced a best practice guide for publication on the Schools' Portal.

6 Audit work completed on service delivery controls: Growth, Environment and Transport

Management of the Highways Service cost savings

(Moderate assurance: type 1: not agreed)

- 6.1 To achieve financial sustainability for the council the Cabinet approved £77.171 million of savings to be delivered over the four years to April 2023. Within this the Highways Service has a savings target of £3.8 million, to be achieved through 16 separate projects.
- 6.2 At the end of March 2020 seven projects were on target to achieve the expected savings on time, accounting for £2.7 million of savings. However for various reasons the other projects are expected to be implemented a year later than intended and it is still too early for the service to confirm whether the expected savings will be made. Progress is being monitored by the Growth, Environment and Transport Finance Monitoring Board and this is supported by the Programme Office and Finance Directorate.
- 6.3 We checked the evidence to support the progress being reported to the Finance Monitoring Board but found that one project had incorrectly been reported as complete due to a misunderstanding between the service and finance teams, although it had not been completed.
- 6.4 Otherwise we found that the narrative in the progress reports provided to the board is generally fair. However a 'RAG' rating is also provided to indicate whether or not activity is progressing as intended and the 'RAG' ratings for four of the 16 projects have incorrectly reported that progress has been sufficient when in fact it appears to have slipped.

Highways stocks and stores

(Limited assurance: type 1+2: not agreed)

- 6.5 The Highways Service provides a range of services including street lighting, flood risk management and highways works and these are supported by supplies available from eight storerooms in depots across the county, maintained by a single operative at each location. At the end of January 2020 these stores held stock valued at £2.3 million.
- 6.6 Stock is held securely and access to high value and hazardous items is restricted. However at the end March 2019 the discrepancy between the value of stock on the council's records and the value of the stock physically held in the stores amounted to £293,000 (13% of the value on the accounting records), and this was written off. Stock is counted annually but the variances identified are not investigated or reported and no approval is sought for the write-offs.
- 6.7 All staff working in the stores complete induction training including a module on safety, and the staff we spoke to appear to understand their roles and responsibilities. There are 13 stores-specific mandatory training courses but no members of staff have completed all of them and, on average, have completed only eight. The Health, Safety and Resilience Service has also reported this in their annual quality audits of each depot.
- 6.8 Policies, procedures and guidance are available but not readily accessible on the intranet, covering stores operations, stocktakes and health and safety and the control of substances hazardous to health, but there are some gaps in coverage, in particular relating to the management of stock records. A new

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Highways intranet site is under development that may eventually make the existing documents more accessible.

- 6.9 Stock is managed and controlled on the Oracle Inventory module. This is capable of managing minimum and maximum stock levels, but this functionality was deactivated when the system was introduced. Oracle does not flag hazardous items, and individuals rely on their own knowledge to identify and store these items appropriately.

Operation of the non-HGV vehicle fleet

(Limited assurance: type 1+2: not agreed)

- 6.10 Services across the council collectively operate more than 650 vehicles on public roads, including minibuses, vans, four-wheel drive vehicles and motorbikes, as well as specialist vehicles such as ambulances, gritters, tippers and road sweepers. The Public and Integrated Transport Service is responsible for procuring, maintaining, servicing, repairing and disposing of these vehicles, and uses the Repair and Maintenance Program (RAMP) vehicle management system to support this work.
- 6.11 The council may be held legally responsible for accidents caused by council vehicles and drivers, and the Vehicle Operator Standards Agency will consider such incidents, alongside the general framework of fleet controls, when considering the council's HGV (heavy goods vehicle) operator's licence.
- 6.12 However there is no single set of readily accessible policy, procedures and guidance that addresses issues such as drivers' eligibility and fitness to drive, and vehicle roadworthiness and safety. Other than in the Highways and Transport Directorate, managers and drivers generally have a limited and inconsistent awareness of the council's requirements, and compliance with them is therefore variable. Some services impose additional requirements that may be more widely relevant; for example the Highways and Transport Directorate requires drivers to complete annual declarations of medical fitness to drive.
- 6.13 Service managers check drivers' licences, but some check only new starters, whilst others review licences annually. There is a general lack of awareness of the mandatory online training for driving at work and this is not therefore completed by all drivers, although other training is completed, for example through the Minibus Driver Awareness Scheme.
- 6.14 The Public and Integrated Transport Service now intends to compile and publish all relevant policy and guidance in a single location on the intranet and in a single document to facilitate its accessibility and compliance with it.
- 6.15 There are effective controls in place to ensure the fleet is roadworthy. In particular RAMP holds records of the vehicles, and schedules their servicing, repair and annual tests. However the vehicle tracking system fitted on many vehicles is not routinely used by all services to ensure vehicles are efficiently utilised and driven appropriately.

The Countryside Service

(Limited assurance: type 1+2: not agreed)

- 6.16 The county council owns and manages a range of green spaces and the Countryside Service looks after 88 sites including country parks. It is required to comply with the Occupiers' Liability Act, which requires the council to "take such

Matters arising from audit work for 2019/20

care as is reasonable in all circumstances of the case to see that none suffer injury on the premises by reason of the danger concerned".

- 6.17 During 2019/20 the Countryside Service has operated with limited resources and, although the sites' availability has not been affected, the volume and scope of the inspections and maintenance it can undertake have been limited. However site visits are made and works are done when issues are reported – the countryside asset manager and his team are quick to respond to anything reported to them. The framework of controls to mitigate the risks arising from the use of green spaces and country parks has not therefore been adequate during 2019/20, but we are not aware of any incidents, complaints or reportable accidents by users of the sites and the risks do not appear to have materialised.
- 6.18 In the coming year the top 20 sites based on visitor footfall will be subject to periodic inspection and an external contractor will conduct site surveys for 21 sites which contain buildings or other structures

7 Audit work completed on service delivery controls: Lancashire County Pension Fund

Collection of employee and employer contributions

(Substantial assurance: type 1+2)

- 7.1 As at 31 March 2019 the Pension Fund included 167 scheduled bodies and 142 admitted bodies. In 2018/19 the county council contributed £57.8 million in employee and employer contributions, and the Fund received £170.9 million in total.
- 7.2 The staff in the Lancashire County Pension Fund team are responsible for collecting employers' contributions and reconciling the amount they have received, and LPP is responsible for collecting and recording payroll data for individual employees.
- 7.3 Although the council's team and LPP should ensure they share information more effectively about the queries they raise with employers as these are often the same, controls over the collection and recording of employees' and employers' contributions to the Pension Fund are adequate and effective.

8 Work completed on service support controls

Management and monitoring of system changes

(Substantial assurance: type 1)

- 8.1 The council has set out rolling three-year plans to develop 20 of its core IT systems, which enable the Core Systems Service and BTLS to act strategically when making technology investment decisions and managing projects. This also facilitates planning to better utilise the resources needed to support projects. System changes are prioritised by portfolio review boards attended by managers from the services involved, strategic systems specialists from the Core Systems Service, and BTLS.
- 8.2 The portfolio review boards request changes to core systems and BTLS produce a 'Request for Proposal' document which describes the change and ensures changes, and the costs, are clearly communicated and understood. Integration testing is undertaken by BTLS to ensure any interfaces are working correctly, and user acceptance testing ensures that changes are properly

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configured. The Core Systems Service satisfies itself about the functionality of the configuration in the test system before it approves the change to be implemented in the live version.

Highways authority funding

(Moderate assurance: type 1+2)

- 8.3 The Department for Transport has allocated capital funding for local authorities that can demonstrate, by completing a self-assessment, that they are delivering value for money in local highways maintenance. Each authority is required to score itself against 22 questions and place itself into one of three bands which determine how much funding they are allocated. It is the section 151 officer's responsibility to ensure they are satisfied that the evidence supports the funds their authority is claiming.
- 8.4 We examined the nine self-assessment questions addressed by various managers across the council; the other 13 questions are mainly addressed by the highway asset manager. On the basis of our work and his we concluded that it is likely that the council has selected an appropriate funding band. The evidence supporting the self-assessment in the areas we reviewed was not always relevant and up-to-date, and some lack of effective cross-referencing to source documents coupled with a lack of explanatory notes means that in some cases it is unclear how the evidence demonstrates compliance with the individual banding requirements. However these issues are being actively addressed by management.

Health and safety in properties managed by the council

(Limited assurance: type 1+2: not agreed)

- 8.5 The council manages 1,113 premises, of which 635 are educational establishments of various types. Each of them has a designated premises manager who should complete an annual statement that the property they manage is compliant with health and safety requirements and, in addition, the Compliance Team within the Asset Management Service audits premises to confirm that they are compliant with health and safety regulations.
- 8.6 During August 2019, the Compliance Team asked the managers of 966 premises to complete an annual statement of compliance for 2018/19, and 238 returns were submitted indicating that premises were fully compliant, leaving 875 premises (79%) whose compliance is unknown.
- 8.7 The Compliance Team has undertaken 122 audits between April 2017 and December 2019 and concluded that 63 premises were compliant (52%) and 59 (48%) were non-compliant. In a sample of 13 premises deemed to be non-compliant, 121 corrective action requests were raised, of which 92 (76%) are outstanding.
- 8.8 The Compliance Team relies on the Property Asset Management System (PAMS) to access the data from inspections undertaken by the Design & Construction Service, but PAMS does not always hold current and relevant information and the compliance officer is therefore unable to undertake a full assessment. There is no mechanism to upload audit findings to PAMS which could enable collaborative working between the services.
- 8.9 A draft policy document has been produced setting out the Compliance Team's role, responsibilities and its approach to audit work. It categorises the council's properties in accordance with their risk profile, and will introduce a more robust

Matters arising from audit work for 2019/20

reporting process. Associated with this, the Asset Management Service also intends to ensure that the Compliance Team is adequately resourced.

CCTV surveillance conducted from the council's estate

(Limited assurance: not agreed)

- 8.10 The council's arrangements for the use of CCTV span more than one service, none of which takes overall control. Audit work has therefore been problematic over a number of years and, again, we have been unable to progress work in 2019/20. Although this conclusion has not been agreed with the council's senior managers, on this basis no more than limited assurance that the council is compliant with the relevant regulations can be taken.

Sickness absence management (Substantial assurance: type 1: not agreed)

- 8.11 Improving the health of the council's workforce and reducing sickness absence are appropriate objectives in themselves. However, on average, 12 days are lost each year per full-time equivalent member of the council's staff, and this figure has remained consistent over the last 18 months. The estimated cost of this as at February 2020, arising from the need to cover long-term absences, was almost £13 million per year. Three services alone are estimated to cost of £3.5 million per year and one of these lost more than 20 days per full-time equivalent member of staff in the year to February 2020. Another five services together cost almost another £3.2 million. It is clear why reducing sickness absence is a key element of the council's plan to achieve financial stability.
- 8.12 The Human Resources Service's efforts are being focussed on services with both a high rate of sickness absence and a large number of staff. In particular, in addition to the processes that all managers are expected to understand and follow using the information available to them, and advice if it is sought, two HR officers have been temporarily employed to ensure that managers take appropriate action where their services are experiencing high levels of sickness absence.
- 8.13 However it is clear that sickness absence is not being reduced. We originally intended to continue this audit and test managers' compliance with the control processes in place which may have identified some of the issues contributing to this failure, but we were unable to complete that testing due to the onset of the coronavirus pandemic.
- 8.14 We have assessed only the framework of controls in place to manage sickness absence and, if operated effectively by managers across the council, it appears adequate to manage sickness absence.

Procurement

(Substantial assurance: type 1+2)

- 8.15 The council's constitution includes Procurement Rules that ensure the council complies with legislation and achieves value for money. The Procurement Service procures goods and services in three main areas – care, construction and assets, and corporate goods – but the same corporate processes are followed for each.
- 8.16 The processes in place are adequate to ensure compliance with the Procurement Rules and each of the ten procurement exercises we reviewed had followed them. One significant supplier of agency staff (who has been paid over £1 million since March 2018) has been used consistently but has not been

Matters arising from audit work for 2019/20

procured through the corporate system, instead having been selected by a former senior employee, but the Procurement Service is aware of this and is considering how to proceed.

9 Work completed on business process controls: financial systems and processes

Payroll processing (Substantial assurance: type 2)

- 9.1 The Payroll Service processes approximately 38,000 payments each month to the council's staff and staff working in schools, amounting to £42 million per month.
- 9.2 Payroll policies are in place and up to date, process guides are accessible by council staff and BTLS staff receive appropriate training. Closure timetables are published on the council's intranet page to ensure that staff are aware of payroll data submission deadlines. New starters, leavers, voluntary deductions and honoraria and other pay changes are processed in a timely manner, supported by appropriate authorisation and paid correctly. Tax and National Insurance are calculated correctly by the payroll system.
- 9.3 Excessive and potentially duplicate payments are monitored monthly and explanations are sought from the relevant heads of service. We found that two payments for sickness and maternity had been incorrectly calculated by the council's service managers, and the reasons for these will be investigated further.

Payroll overpayments (Moderate assurance: type 2)

- 9.4 In 2019/20 the council made 823 individual payments amounting to £522,250. Most are attributed to late notification of payroll changes by the council's managers or errors in the data they submit but, although action has been taken to address the issue since our last audit and budget holders have been reminded of their responsibilities, overpayments have increased by 69% over the previous year. Information to help prevent overpayments being made is regularly posted on the intranet in HR Bulletin updates, including payroll closure deadlines.
- 9.5 Overpayments are regularly reviewed by Payroll Services, who agree a recovery plan with employees or raise invoices against former employees, and most overpayments are recovered.

Accounts payable: central controls over manual invoices and non-invoiced payments (Substantial assurance: type 2)

- 9.6 The council uses the Oracle system to process invoices and payments. In the period April 2019 to January 2020 the council paid 84,812 invoices totalling over £737 million, and £26.5 million of non-invoiced payments.
- 9.7 Requisitions, orders and non-invoiced payments are approved in Oracle by appropriate levels of management, invoices are paid if they match an order, and the related goods and services are receipted. All payments over £50,000 are held and checked by a finance officer before being paid.

Matters arising from audit work for 2019/20

General ledger (Substantial assurance: type 1+2: not agreed)

- 9.8 The council uses Oracle Financials as its corporate accounting system and inputs to the general ledger are made through interfaces from feeder files and manual journals. The controls over the transactions posted to the ledger are adequate and effective, and in particular the control accounts are accurately maintained and reconciled monthly.
- 9.9 There have been some minor changes to the manual controls around the system during the year to improve their efficiency and to identify the sources of any persistent errors.

Accounting for the Pension Fund through the council's general ledger (Substantial assurance: type 1+2: not agreed)

- 9.10 Lancashire Pension Fund uses the same general ledger system as the county council and the same controls are applied to both sets of balances and transactions, although they are operated by different individuals.
- 9.11 As noted above, the controls over the transactions posted to the ledger are adequate and effective, and control accounts are accurately maintained and reconciled monthly.

VAT (Substantial assurance: type 2)

- 9.12 The council's statutory activities are outside the scope of VAT but special rules mean it can recover VAT on goods and services purchased for non-business activities and VAT incurred on exempt supplies such as property or certain education services, provided that it is not significant (not more than 5% of the total VAT incurred).
- 9.13 There are effective procedures to ensure that the council's VAT returns are accurate, reconcile to source data and submitted on time to HMRC. The VAT team checks the accuracy and completeness of returns monthly, and compliance with HMRC's rules for reclaiming VAT on exempt supplies is regularly monitored by the VAT manager.

Mileage allowance claims (Limited assurance: type 1+2: not agreed)

- 9.14 Employees can claim reimbursement for journeys made on council business in their own vehicles. All claims are made and approved in the Oracle system, and information on the intranet sets out the circumstances in which claims can be made and the rates at which they are paid. Between 1 April and 31 August 2019 6,308 council employees (excluding those employed in schools) submitted 149,000 claims for business, training and excess travel, authorised by 1,245 managers, and claimed £1.8 million in total.
- 9.15 Policies relevant to driving on council business are recorded in a number of documents and on various intranet pages, which makes them difficult to grasp and may contribute to a general lack of compliance. However the disparate policies do not address some pertinent areas and may leave the council exposed to risk, for example where an employee's driving license carries endorsements, when an employee drives on council business but is uninsured or unlicensed and makes no mileage claims, or if a private vehicle is not roadworthy.
- 9.16 Oracle processes claims for payment once they are approved by a manager but the number of duplicate claims and other issues we found indicate that

Matters arising from audit work for 2019/20

managers are not generally checking claims effectively before approving them. Some managers receive large numbers of claims and do not have the capacity to check them all closely, but there is no guidance for managers on what pre-approval checks, or how many, they should carry out. In the five months we tested, 207 individual managers each authorised 50 claims or more each month on average; 45 managers authorised 100 claims or more each month.

- 9.17 In the absence of adequate checks by managers, there are no compensating controls in the Oracle system to prevent or identify input errors, such as excessive or inflated mileage, late submissions or potentially duplicate claims.
- 9.18 The Human Resources Service is planning to review the council's business travel policy and the issues raised by our work should be considered in that review.

Treasury management (Substantial assurance: type 1+2: not agreed)

- 9.19 At 31 December 2019 the council held investments totalling £514 million, consisting of £95 million in bank and local authority deposits and £418 million in bonds, and its total borrowing was £1,253 million.
- 9.20 The council has a treasury management strategy, policy (including prudential indicators and key performance indicators) and detailed operational policies and this framework complies with CIPFA's code of practice 'Treasury Management in the Public Services'.
- 9.21 Treasury management activity is supported by daily forecasting and decisions are subject to appropriate financial delegation. The council complies with the authorised indicators but, with the director of finance's weekly approval, the operational borrowing limit was breached for several months until February 2020 to take advantage of favourable interest rates. In October 2019 the Audit, Risk and Governance Committee recommended an increase in the authorised borrowing limit and this was approved by the Council in February 2020.

Schools' Financial Value Standard self-assessments

(Substantial assurance: type 2)

- 9.22 All schools submitted self-assessments for 2018/19 reflecting their governance and financial arrangements, and the ones we tested were supported by evidence.
- 9.23 Schools' governing bodies review and approve annual budgets prior to submission to the council and regularly monitor progress, with variances explained in reports and challenged during meetings. Full governing board meetings are professionally clerked and capture governor challenge and scrutiny, and key approvals. Most schools were able to provide governor competency matrices identifying key skills and development needs, and meeting minutes confirm that they are actively used to assess and address governors' training requirements.

10 Work completed on service support controls: technology

ICT Service governance (Moderate assurance: type 1+2)

- 10.1 The service provision agreement sets out heads of terms for the service provided by BTLS and is supported by detailed service-specific schedules and performance management arrangements. Reports on projects, payroll, and

Matters arising from audit work for 2019/20

recruitment as well ICT service delivery are shared at a monthly service governance meeting. The contract's key performance indicators have recently been amended to become more robust before the contract ends in March 2021.

- 10.2 The council's oversight of and support for BTLS's work and ICT service delivery are achieved through a number of different groups although, taken together, they perhaps form an unnecessarily complex framework of governance. Assurance over various aspects of ICT service provision is available from a number of sources but this is not routinely collated and considered.
- 10.3 Until October 2019 the council lacked the key policies – a Digital Strategy and IT Strategy in particular – which should support a strategic view of its current and future business needs. It is expected that, as they become available, ICT services will be aligned with them.

IT service management

(Moderate assurance: type 1+2)

- 10.4 BTLS's ICT service strategy clearly documents its approach to ICT service management and its service delivery is aligned with the industry-standard Information Technology Infrastructure Library (ITIL) best practice guidelines.
- 10.5 BTLS regularly reports its service management performance in real-time dashboards, fortnightly management reviews and an annual review which is shared with the council. It complies with well-documented policies for dealing with incidents, knowledge management, and continuous service improvement which meet best practice standards and are supported by robust processes. Its change management policy is comprehensive but would benefit from some refinement around definitions and prioritisation criteria.
- 10.6 However the roles and responsibilities between BTLS and the council are not formally defined, documented or communicated to users, who therefore see a confusing picture of services.
- 10.7 At this point there is no strategy for the council's ICT service management, and limited policies and procedures underpin its service management activity. Its change management process is managed through various portfolio review boards and BTLS. There are no management reporting arrangements, no key performance indicators, and we have seen no evidence of customer feedback. The council's service management catalogue is available for staff on the council's intranet site, including some provision for knowledge management, but its content is limited.

Critical application: LAS

(Moderate assurance: type 1+2)

- 10.8 The council uses the Liquidlogic Adults System (LAS) to support the delivery of its adult social care services. Liquidlogic provides support and maintenance for the software in addition to the support provided locally by BTLS. The system's infrastructure has recently been upgraded to provide a robust and resilient platform for the application, its database and the server.
- 10.9 A suite of documents sets out the system's infrastructure and security, providing technical details to ensure that information is available in-house to support the system. These include the Architectural Vision, Operational Definition and (draft) Service Recovery plan. Access to LAS is facilitated by robust password protocols linked to the council's Active Directory (for internal users) or a remote access solution (for external users).

Matters arising from audit work for 2019/20

- 10.10 Robust backup arrangements provide resilience and ensure that data can be recovered in the event of disruption or system failure. An emergency resilience exercise has recently tested the arrangements and a number of lessons were learned including the need to decide which staff will be prioritised as access is re-established, and to establish local business continuity plans. Penetration testing was undertaken in 2018 and 2019 to ensure the council's systems remain secure and are compliant with the Public Sector Network requirements and this included LAS.
- 10.11 Vulnerability scanning software has recently been deployed. The results of a recent scan highlighted a number of security issues including network authentication, and the need to ensure that security patches are more promptly identified and deployed. Individual users' activity on the LAS system is not currently subject to any proactive monitoring which could identify unusual or inappropriate activity, although this is required fully to comply with the requirements of the Data Security and Protection Toolkit.
- 10.12 Although out of the scope of this review, it should be noted that BTLS has prepared an options appraisal for the former adult social care system (Integrated Social Services Information System, or ISSIS) which still holds data that has not been migrated to LAS. The council should resolve the system's ownership and management oversight, its accessibility, and user logging and monitoring and, at some point, it should be decommissioned.

Audit assurance levels

Our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

Substantial assurance: the framework of control is adequately designed and/or effectively operated overall.

Moderate assurance: the framework of control is adequately designed and/or effectively operated overall, but some action is required to enhance aspects of it and/or ensure that it is effectively operated throughout the service, system or process.

Limited assurance: there are some significant weaknesses in the design and/or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.

No assurance: there are some fundamental weaknesses in the design and/or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

Classification of residual risks requiring management action

Extreme residual risk: critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately.*

High residual risk: critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently.*

Medium residual risk: failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*

Low residual risk: matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*

Scope, responsibilities and assurance

Approach

D.1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit work encompasses all of the council's operations, resources and services including where they are provided by other organisations on its behalf.

Responsibilities of management and internal auditors

D.2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.

D.3 However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.

D.4 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

D.5 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing to ensure those controls were operating effectively for the period under review.

Basis of our assessment

D.6 My opinion on the adequacy of control arrangements is based upon the result of internal audit work undertaken and completed during the period in accordance with the plan approved by the Audit, Risk and Governance Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

Limitations to the scope of our work

D.7 There have been no limitations to the scope of the audit work during the year, but work during March 2020 and beyond has been limited by the impact on the council's managers, and senior managers in particular, of the Covid-19 pandemic. The internal auditors have completed all the work begun as far as possible using the evidence available to them, but have not pursued further evidence and have not discussed any matters arising for the work with the audits' sponsors. Audits affected by this restriction are indicated in Annexes A and B.

Limitations on the assurance that internal audit can provide

D.8 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as

Scope, responsibilities and assurance

internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Further, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.

- D.9 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

- D.10 This report has been prepared solely for Lancashire County Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit, Risk and Governance Committee and management of the council. It is not therefore intended to include every matter that came to our attention during each internal audit assignment.
- D.11 This report may be made available to other parties, such as the external auditors and BT Lancashire Services Ltd. However no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine the reliance placed on the work of the Internal Audit Service.

Audit, Risk and Governance Committee

Meeting to be held on Monday, 27 July 2020

Electoral Division affected: (All Divisions);
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Internal Audit Plan 2020/21

Appendices A and B refer

Contact for further information:

Ruth Lowry, (01772) 534898, Head of Internal Audit, ruth.lowry@lancashire.gov.uk

Executive Summary

This report explains the approach to establishing the internal audit plan for 2020/21, and the audit work proposed that will support the head of internal audit's overall opinion for the year on the council's framework of governance, risk management and control. Appendix A sets out the audit planning process and the plan itself in more detail is at Appendix B. However the plan will necessarily be kept under review and may be subject to change dependent on the capacity of the council's services to respond to auditors and support the audit process, given the demands on many services of responding to the impact of Covid-19.

Recommendation

The committee is asked to consider and approve the internal audit plan 2020/21 as set out in Appendices A and B.

Background and Advice

Appendix A sets out the background and context to this report.

Consultations

The work set out in this strategic plan was discussed and agreed with members of the Corporate Management Team both collectively and individually, and with directors and heads of service across the organisation prior to March 2020. The programme of work set out in this report is shorter than was originally planned but a number of additional audits have been added to it to reflect the issues for the organisation arising in response to Covid-19. These have been discussed with the directors of finance and corporate services but not more widely.

Implications:

This item has the following implications, as indicated:

Risk management

This report supports the Audit, Risk and Governance Committee in undertaking its role, which includes providing independent oversight of the adequacy of the council's governance, risk management and internal control framework.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Tel
Internal Audit Strategy for 2020/21	June 2020	Ruth Lowry, (01772) 534898

Reason for inclusion in Part II, if appropriate

Not applicable.

Internal audit plan 2020/21

1. Introduction

- 1.1. This report sets out the provisional internal audit plan for 2020/21. The Audit, Risk and Governance Committee is asked to consider and approve it under the committee's terms of reference.
- 1.2. It should be noted that the plan has already been impacted by the effect on the organisation of the coronavirus pandemic. As the work for 2019/20 was completed, the auditors were withdrawn from internal audit work and were redeployed to support the council's operational response to the pandemic. As the council recovers from its initial emergency response and regains the capacity to support audit work, the internal auditors will take up their normal roles again and it has been assumed that work will continue for the rest of the year. The impact of a second wave of the virus has not been modelled, but clearly could affect this plan.
- 1.3. The plan is supported by the Internal Audit Strategy for 2020/21 which sets out the relevant statutory and professional requirements, the planning principles and inputs to the process, and the audit approach employed by the Internal Audit Service.
- 1.4. The plan is also supported by a service charter, which defines the purpose, authority, scope and responsibility of internal audit activity, establishes the service's position within the organisation, and authorises access to all relevant records, personnel and physical properties.
- 1.5. The Internal Audit Service aims to achieve the core principles set out by the Chartered Institute of Internal Auditors and reiterated in Public Sector Internal Audit Standards, which are that the service:
 - Demonstrates integrity
 - Demonstrates competence and due professional care
 - Is objective and free from undue influence (independent)
 - Aligns with the strategies, objectives, and risks of the organisation
 - Is appropriately positioned and adequately resourced
 - Demonstrates quality and continuous improvement
 - Communicates effectively
 - Provides risk-based assurance
 - Is insightful, proactive, and future-focused
 - Promotes organisational improvement

2. The purpose of the audit plan

- 2.1. The council is responsible for a wide range of services across the county, and it is expected that the council's members and senior management are aware both of the risks to achieving their service objectives and the risks inherent in their work. Each of these risks should be managed by controls designed to reduce it to a corporately acceptable level, and which operate

effectively and consistently in practice. The Chief Executive, Audit, Risk and Governance Committee, and ultimately the council, need assurance that these controls are adequately designed and operating effectively. At the end of the financial year the Chief Executive and the Leader will jointly sign an annual governance statement that is published with the council's financial statements.

- 2.2. The head of internal audit is required by professional standards to provide an opinion addressing the council's frameworks of governance, risk management and control and thereby to provide assurance that the risks to the council's objectives are being adequately and effectively controlled. The Audit, Risk and Governance Committee is required by its terms of reference both to consider the Head of Internal Audit's annual report and opinion and to review the council's annual governance statement. The committee should therefore consider and approve an internal audit plan designed to provide the assurance that the council, committee, Leader and Chief Executive need.
- 2.3. Because the overall opinion covers a twelve month period, the evidence to support it must relate to the controls in operation for that period. The plan therefore chiefly addresses work for just one year, but projections may be made of audit requirements in future years. The work in any annual plan will rarely be fully complete at the end of the year but will be sufficient to inform the council's annual governance statement shortly after the year end.

3. Obtaining the evidence to support an overall opinion for 2020/21

- 3.1. An internal audit plan designed to provide the evidence necessary to support an opinion on governance, risk management and control should arguably encompass the following:
 - Coverage of the key components of each part of the opinion: aspects of the council's governance, risk management and control.
 - Sufficient coverage of controls across the council's operations as a whole, so that a fair assessment may be made across the organisation.
 - Coverage of the controls that serve to mitigate the council's most significant risks to an acceptable level, and particularly those that operate most widely across the council.
 - Assessment of the actions being taken to develop improved controls in the areas of greatest unmitigated risk.
- 3.2. It will therefore be necessary as a minimum to audit aspects of the council's governance and risk management processes, as well as a range of control processes. However information will also be available from less formal sources than planned audit engagements and this will also inform the overall opinion.
- 3.3. A control framework applicable to the council's governance, risk management and control is shown in the diagram on the following page. The internal audit plan is normally designed to cover, proportionally, the whole of this controls framework but, this year, is focussed only on key areas of service delivery. A number of individual audits address key risks relating to

safeguarding of service users in particular. It also addresses each of the areas of the overall opinion and some work is planned to cover each type of control. It is not intended that the auditors will follow up all of the action plans agreed by managers as a result of audit work over previous years but, subject to further discussion with the council's senior managers, managers' own assessment of the action they have taken will be reported to the committee.

A framework for governance, risk management and control						
Governance and democratic oversight						
Corporate governance	Decision-making		Oversight and scrutiny		Policy setting	
Business effectiveness						
Risk management	Performance management	Organisational design	Financial governance and planning		Working in partnership	
Service delivery						
Growth, Environment & Transport		Education & Children's Services	Adult Services and Health & Wellbeing		Resources	
Service support						
Legal services	Skills, learning & development	Core ICT systems	Property management	Health & safety	Programme management	Customer access
Business processes						
Financial systems & processes		Procurement		Facilities management	Human resources	
Information management		Contract monitoring & management		Investment	Payroll processing	
Business continuity					ICT systems	

- 3.4. A detailed list of each audit in the plan is provided at Appendix B to this report, setting out how each fits into this framework and including the work that will be undertaken by the council's external ICT audit service provider. It should be noted that the plan will almost certainly be subject to some change during the year as the council's priorities alter, as the work set out here in outline is scoped in more detail, and if another wave of the coronavirus pandemic affects the council's work. The committee will be informed and consulted on any significant changes as progress is reported during the year.
- 3.5. The county council is the administering authority for the Lancashire Pension Fund and the plan therefore incorporates the need to provide assurance over the operation of the fund. It is administered and its pooled assets are managed by Local Pensions Partnership Ltd (LPP) which has appointed Deloitte as its own internal auditor. In addition to the work being undertaken by the council's Internal Audit Service, the council may take some assurance from Deloitte's work. Although Deloitte disclaims any liability to the council and the pension fund for any reliance they may place on this work, the firm has agreed that its conclusions may be reported to the council's Audit, Risk and Governance Committee and Pension Fund Committee.

3.6. An indication of the scale of work by control area and service is also provided by the table below. The type of work is shown as:

- '1' for phase one/ consultancy work
- '2' for phase two/ compliance testing
- '1+2' for a full risk and control evaluation

Control category and service area	Number of audits by type			
	'1'	'2'	'1+2'	Total
Governance and democratic oversight	1		4	5
Corporate Services	1		3	4
Finance			1	1
Business effectiveness	1		6	7
Strategy and Performance			3	3
Corporate Services	1		1	2
Finance			1	1
Public Health			1	1
Service delivery	4	6	22	32
Adult Services and Health & Wellbeing			6	6
Adult Services		1	5	6
Adults Disability and Care Services			2	2
Public Health			1	1
Education & Children's Services	2	1	1	4
Children's Social Care	2	4	2	8
Education & Skills			1	1
Growth, Environment and Transport			1	1
Growth, Environment and Planning			1	1
Finance			2	2
Service support	1	1	7	9
Strategy and Performance			3	3
BTLS	1	1	4	6
Business processes		4	3	7
Finance		4	3	7
Total	7	11	43	60

4. The context of the audit work for the year

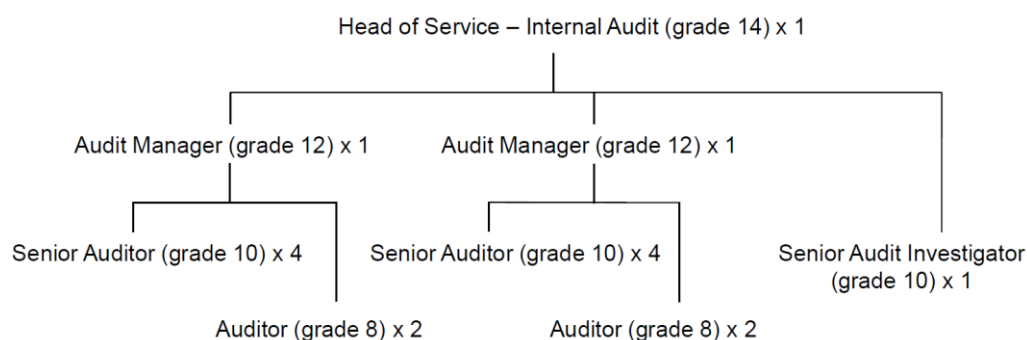
- 4.1. The single most influential factor on the year's work will be the coronavirus pandemic and the council's response to it. This has necessitated wide-ranging changes to many of the council's services, systems and processes, and to the way staff operate. It has also meant that internal audit work has been suspended for the first quarter and possibly for most of the first half of the year, and therefore that fewer than normal internal audit resources are available for the current year.
- 4.2. It is not yet clear at what point the council's key services, and the staff supporting its key systems and processes, will have the capacity to be audited. In the meantime, most of the internal auditors have been redeployed to support other services.
- 4.3. However favourable overall assurance was given in both 2018/19 and 2019/20 on the council's frameworks of governance, risk management and control. The council's Corporate Management Team and Senior Leadership Team is now fully staffed and, other than normal turnover, all posts are filled on a permanent basis. The organisation has been well-placed to respond with resilience to the pandemic, and flexibly as the situation developed.
- 4.4. As may be expected in any normal, ambitious organisation a number of service areas are still subject to ongoing improvement as well as additional cost-saving activity. The council as a whole has now also embarked on an 'improvement journey' that will continue despite its ongoing activity to respond to and recover from the pandemic. The capacity to continue this corporate development has recently been increased by the appointment of a director of organisational development and change.
- 4.5. Work is also being undertaken by the council in particular to implement a digital strategy and a data strategy that will eventually have far-reaching impacts across services and on the council's ability to monitor and manage its work. These strategies and their effects will be audited in future years rather than in 2020/21 but will be of interest as they develop. They will also facilitate changes to some of the council's basic business processes and controls, for example in relation to its human resource processes.
- 4.6. The work set out in this plan is therefore designed to respond to the challenges the council has faced in responding to the pandemic that began during March 2020 and is likely to continue for much of the coming year, as well as to the council's underlying business as usual. It addresses some of the specific risks and controls arising as a consequence of the emergency, whilst also covering key controls within the council's services, systems and processes as they continue, with varying degrees of disruption.
- 4.7. Possibly the single biggest risk to the council as the immediate disruption of the pandemic passes is its financial position. Although central government departments have provided a number of tranches of additional funding, this is less than the projected cost to the council of supporting the response in 2020/21 and there is significant uncertainty regarding both the impact of the pandemic on the cost of services in future years and on future funding settlements. We will seek to understand the council's financial position, and its plans once again to stabilise this and to address the structural funding gap and the need for support from reserves in the long term.

5. The assurance we will provide

- 5.1. The assurance we will provide falls into four categories: substantial, moderate, limited and no assurance.
- Substantial assurance: the framework of control is adequately designed and/ or effectively operated.
 - Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.
 - Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.
 - No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

6. Internal Audit Service resources

- 6.1. The plan takes account of the internal audit resources available. The service employs 16 staff in the structure set out below:



- 6.2. It has been assumed that six staff will begin audit work again from the end of August 2020 and that the rest will start again from the end of September 2020. However if the organisation regains the capacity to be audited sooner than this, the staff will return more quickly.
- 6.3. The Internal Audit Service also provides an out-sourced internal audit function to the Office of the Police and Crime Commissioner and Lancashire Constabulary, Lancashire Fire and Rescue Service and Rossendale Borough Council, as well as additional support to some of the other district councils. This work will be required by these organisation and will account for approximately three full-time equivalent staff, being undertaken by individuals across the service.

7. Funding and grant certification work

- 7.1. The Internal Audit Service is required by certain central government departments to certify aspects of the way funding has been spent. This provides little direct assurance to the county council but is necessary.
- 7.2. The Ministry for Housing, Communities and Local Government requires the Internal Audit Service to test funding claims submitted by the Troubled

Families Programme and we continue to working with the Children and Family Wellbeing Service to process the council's funding claims.

- 7.3. We are aware of the need to certify other funding claims but, although we seek to understand what funding may be subject to such certification, new requirements may emerge during the year and these will be accommodated.

8. The Internal Audit Service's responsibilities in relation to fraud and investigations

- 8.1. In addition to our audit work, the Internal Audit Service provides support to the council's management team in managing the risk of fraud. It provides a small investigatory service (one senior audit investigator) to support management in responding to instances of suspected fraud or impropriety, and also undertakes proactive work to identify and pursue indications of potentially fraudulent activity, both through corporate systems testing and through additional testing of other areas particularly susceptible to fraud.
- 8.2. There are some synergies in the skills required for internal audit and investigations work, and information arising from the investigation of allegations of fraud or impropriety may also indicate potential lapses in controls or of the culture of the organisation. Our audit plan integrates our assurance work (specifically our compliance testing) with our proactive counter fraud testing, particularly in areas susceptible to fraud and misappropriation of assets.

Internal audit plan 2020/21

The work set out below is intended to obtain the evidence required to support an overall opinion on the council's governance, risk management, and control processes for 2020/21. Individual elements within the plan may be amended but, taken as a whole, the resulting plan is designed to address the requirement for an overall opinion as set out in the Internal Audit Strategy for 2020/21.

The type of work is shown as: '1' for phase one/ consultancy work; '2' for phase two/ compliance testing; and '1+2' for a full risk and control evaluation. Work to follow up the actions arising from previous audit work is not listed here.

Lead directorate	Service	Operational area	Audit work	Type
Governance and democratic oversight				
Resources				
Corporate Services	Legal, Governance and Registrars	Scrutiny	Review of the operation of the council's scrutiny function, to ensure decisions are adequately assessed before and after implementation.	1+2
Corporate Services	Legal, Governance and Registrars	Decision-making by councillors	Assurance that decisions have been properly made by councillors, particularly during the first quarter of the year.	1+2
Corporate Services	Legal, Governance and Registrars	Decision-making by officers	Assurance that decisions have been properly made by officers where appropriate, particularly during the first quarter of the year.	1+2
Corporate Services	Legal, Governance and Registrars	Working to achieve an effective combined authority for Lancashire	Work to understand how the council is approaching partnership working and the efforts to create a combined authority.	1
Finance	Pension Fund	Understanding the assurance provided by LPP's internal auditors	Assessment of the assurance provided by Deloitte LLP over the operation of the Pension Fund by the Local Pensions Partnership Ltd (LPP).	N/A
Business effectiveness				
Resources				
Corporate Services	Chief Digital Officer	The Digital Strategy	Work to understand the development of the council's use of digital technologies, and provide assurance that the action is being taken as intended.	1
Corporate Services	Legal, Governance and Registrars	Risk management	Assessment of the effectiveness of the revised risk management arrangements in services and corporately.	1+2

Internal audit plan 2020/21

Lead directorate	Service	Operational area	Audit work	Type
Finance	Financial Management (Operations)	Financial planning	Assurance that the council's financial planning and forecasting is supported by robust data controls.	1+2
Strategy and Performance	Business Intelligence	Corporate performance management	Audit of the implementation of revised performance management arrangements and KPIs following the introduction of new corporate strategy.	1+2
Strategy and Performance	-	Management of the council's performance whilst responding to the covid-19 crisis	Assessment of the deployment of staff and other resources to services, and monitoring the achievement of the council's objectives during and after the crisis phase of the pandemic.	1+2
Public Health	Health, Safety & Resilience	Lessons learned from the organisation's response to covid-19	A light-touch review of the lessons learned from the experience of responding to the covid-19 pandemic, for the organisation itself and in its support to the wider county.	1+2
Strategy and Performance	Chief Digital Officer	Planning for the return of services from BTLS to the council	Continuing work to understand and support the transition of services.	1+2
Service delivery				
Adult Services and Health & Wellbeing				
-	Quality, Contracts and Safeguarding	Safeguarding vulnerable adults	Assessment of compliance with the revised ways of working following implementation of the outcomes of the Safeguarding Redesign Project.	1+2
-	Quality, Contracts and Safeguarding	Contract Monitoring Strategy	Consideration of the new contract monitoring strategy, focussing on prioritisation of reviews and clarity of roles and responsibilities between the different services involved.	1+2
-	Quality, Contracts and Safeguarding	Operation of the residential quality assurance framework	Review of the improvement programme being developed to drive improvements in service delivery across the regulated care sector.	1+2
-	Quality, Contracts and Safeguarding	Operation of the non-residential quality assurance framework	Review of the improvement programme being developed to drive improvements in service delivery across the regulated care sector.	1+2

Internal audit plan 2020/21

Lead directorate	Service	Operational area	Audit work	Type
-	Quality, Contracts and Safeguarding	Provider-led reviews	Review and assessment of the contract monitoring arrangements introduced since handover of the contract from Commissioning.	1+2
-	Various	Staff induction (including the Social Care Academy)	Consideration of the processes that ensure staff are effectively inducted, focussing particularly on the work of the Social Care Academy.	1+2
Adult Services	All services	Social care review arrangements	Audit of controls over scheduling and undertaking reviews of packages of care, ensuring changes are implemented on a timely basis.	1+2
Adult Services	Learning Disability, Autism & Mental Health	Supervision arrangements	Confirmation that staff are subject to regular support and supervisory review to ensure compliance with professional body requirements	2
Adult Services	Community (East)	Supervision arrangements	Confirmation that staff are subject to regular support and supervisory review to ensure compliance with professional body requirements.	1+2
Adult Services	Community (East)	Reablement case audit	Assessment of the robustness of the case audit mechanism in identifying good practice and identifying areas for improvement.	1+2
Adult Services	Community (East)	Demand management	A review of controls in the Customer Access Service (CAS) and through Screening and Initial Assessment (SIAS) to ensure that Care Act eligibility criteria are consistently applied and demand is managed.	1+2
Adult Services	Community (Central)	Support services review	A review of the support services team, focussing on roles and responsibilities and whether the service offer is consistent with the operational requirement.	1+2
Adults Disability and Care Services	Learning Disability, Autism and Mental Health	Transitions	Review of the adequacy and effectiveness of the transitions process following the introduction of revised working arrangements.	1+2
Adults Disability and Care Services	Older People	Safeguarding alerts	A review of the management of safeguarding alerts, from notification to conclusion and any learning points arising from them.	1+2

Internal audit plan 2020/21

Lead directorate	Service	Operational area	Audit work	Type
Public Health	Health Equity & Partnerships	Screening, vaccination and immunisation programmes	Assessment of the assurance team's work and conclusions that these programmes support achievement of public health objectives.	1+2
Education & Children's Services				
-	Quality Assurance, Inspection & Safeguarding	Education and Children's Services: assurance mapping	Assessment of internal and external sources of assurance to identify any gaps or duplication.	1
-	Policy, Information and Commissioning (Start Well)	Sufficiency of external places for children looked after	Audit of the arrangements to ensure the sufficiency of placements including assessment, admissions and value for money.	2
-	Policy, Information and Commissioning (Start Well)	Syrian Resettlement Programme	Assessment of the coordination of the programme to ensure that refugee families are appropriately supported and services properly commissioned.	1+2
-	Policy, Information and Commissioning (Start Well)	Ofsted unregistered care providers	Assessment of the controls to ensure that children with care needs (as opposed to support needs) are placed with providers who are Ofsted registered.	1
Children's Social Care	Children's Social Care	Caseload management	Audit of the controls to manage the allocation of casework to social workers.	1+2
Children's Social Care	Children's Social Care	Prevention of child exploitation	Assessment of compliance with the new processes to prevent child exploitation.	2
Children's Social Care	Children's Social Care	Supervision and support	Audit of the adequacy of supervisory controls including their frequency, timeliness and impact, following the adoption of the family safeguarding model.	1
Children's Social Care	Corporate parenting	Corporate parenting strategy	Audit of the adequacy of controls to ensure that the corporate parenting strategy is implemented and effectively operated.	2
Children's Social Care	Quality Assurance, Inspection & Safeguarding	Serious incident reporting and case review	Assessment of the effectiveness of controls following the transfer of serious case reporting from the local safeguarding board to new partnership boards.	2

Internal audit plan 2020/21

Lead directorate	Service	Operational area	Audit work	Type
Children's Social Care	Quality Assurance, Inspection & Safeguarding	Family safeguarding model	Assessment of the arrangements to implement the new family safeguarding model.	1
Children's Social Care	Quality Assurance, Inspection & Safeguarding	Children's Safeguarding Assurance Partnership	Audit of the effectiveness of the new partnership's controls to safeguard children.	2
Children's Social Care	Children's Social Care (all areas)	Independent reviewing officers (IROs)	Audit of the adequacy and effectiveness of the IROs' role in providing oversight and assurance over practice quality.	
Education & Skills	Education Improvement	Supporting schools around re-opening	Review of the support provided to schools as they re-open after extended closure.	1+2
Growth, Environment & Transport				
-	Waste	Health and safety at household waste and recycling centres.	Audit of the services arrangements to ensure compliance with health and safety requirements.	1+2
Growth, Environment and Planning	Business Growth	Lancashire Enterprise Partnership decision making processes	Assessment of the overall governance arrangements that ensure decisions are taken in accordance with the Scheme of Delegation and Financial Regulations.	1+2
Resources – the Finance Directorate's direct role in the delivery of various services				
Finance	Exchequer Services	Financial assessment team	Review of the processes and decisions made by the financial assessment team, in particular for their consistency across the whole team.	1+2
Finance	Pension Fund	Admitting employers to the Fund	Review of the process by which employers are admitted including due diligence.	1+2
Service support				
Resources				
Strategy and Performance	Asset Management	Contract monitoring: Building Schools for the Future (BSF)	Assessment of the procedures in place to monitor the BSF contracts; their financial performance and in relation to health and safety in school buildings.	1+2

Internal audit plan 2020/21

Lead directorate	Service	Operational area	Audit work	Type
Strategy and Performance	Facilities Management	Use of the council's buildings under covid-19 restrictions	Assurance that sufficient controls are in place to ensure the health and safety of staff using the council's buildings.	1+2
Strategy and Performance	Facilities Management	Cleaning service	Review of the process by which the cleaning resource has been established for each of the council's properties, and is being met by the cleaning team.	1+2
Service support: ICT controls				
Strategy and Performance	Chief Digital Officer/ BTLS	ICT programme and project management	Review of the framework of control over ICT developments carried forward from 2019/20.	1+2
Strategy and Performance	Chief Digital Officer/ BTLS	External sources of assurance	Collation and assessment of the external sources of assurance over BTLS's operation.	1
Strategy and Performance	Chief Digital Officer/ BTLS	Cyber security essentials	A review of the organisation's cyber resilience capability based upon the principles within the Cyber Essentials Framework.	1+2
Strategy and Performance	Chief Digital Officer/ BTLS	Public Service Network (PSN) accreditation	A review of BTLS's self-assessment and implementation of the actions arising from that assessment.	1+2
Strategy and Performance	Chief Digital Officer/ BTLS	Support for large-scale home working	Assessment of the arrangements to enable the majority of staff to work from home, including ICT connectivity and hardware.	1+2
Strategy and Performance	Chief Digital Officer/ BTLS	Simulated phishing	A test of the council's staff's resistance to phishing activities.	2
Strategy and Performance	Chief Digital Officer/ BTLS	Payment card industry (PCI) standards	Assurance that the council is compliant with PCI standards for payments received on credit cards.	1+2
Business processes				
Resources				
Finance	Exchequer Services	Accounts receivable: central controls	Compliance testing of the key controls, including review of our approach to testing.	2

Internal audit plan 2020/21

Lead directorate	Service	Operational area	Audit work	Type
Finance	Corporate Finance and Exchequer Services	Accounts receivable: new funding flows	Assessment of the ways in which additional funding from central government is being monitored and controlled, and used for its intended purposes.	1+2
Finance	Exchequer Services	Accounts payable: central controls	Compliance testing of the key controls, including review of our approach to testing.	2
Finance	Corporate Finance and Exchequer Services	Accounts payable: new grants and other funding provided by the council	Assessment of the ways in which the council is monitoring the use of funds it provides to support organisations to mitigate the impact of covid-19.	1+2
Finance	Exchequer Services	General ledger including accounting for the Pension Fund	Compliance testing of the key controls.	2
Finance	Exchequer Services	Treasury management and investment	Compliance testing of the key controls.	2
Finance	Procurement	Urgent procurement conducted during the onset of covid-19	Assurance that urgent procurement exercises were conducted appropriately and have been regularised since then, if not at the time.	1+2

Audit, Risk and Governance Committee

Meeting to be held on Monday, 27 July 2020

Electoral Division affected: (All Divisions);
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The Council's Annual Governance Statement 2019/20 & Code of Corporate Governance

Appendices A and B refer

Contacts for further information:

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Executive Summary

The county council is required to produce and approve an Annual Governance Statement which will be included in its Annual Statement of Accounts for 2019/20. A draft Annual Governance Statement is presented for the committee's consideration at Appendix A.

In addition Full Council agreed that the Code of Corporate Governance for the county council would be reviewed on an annual basis. Therefore, the committee is asked to consider the Code of Corporate Governance and whether it wishes to make any changes to recommend to Full Council. The updated Code is presented for the committee's consideration at Appendix B.

Recommendation

The committee is asked to:

1. Consider and approve the draft Annual Governance Statement for 2019/20 for inclusion in the Statement of Accounts.
2. Note that the Annual Governance Statement will 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, following approval at this committee.
3. Consider the updated Code of Corporate Governance and any amendments it wishes to make for recommendation to Full Council for approval.

Background and Advice

Lancashire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and

effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

This year, the Covid-19 crisis has brought unprecedented challenges for local government and the county council has sought to minimise disruption to the services we deliver.

The Annual Governance Statement must be current at the time of its publication, so it is essential that it reflects the impact of the pandemic on governance during March 2020. Therefore a second conclusion regarding the adequacy of governance arrangements during this period will be included.

The impact on governance falls broadly into the following categories:

- Impact on business as usual in the delivery of services.
- New areas of activity as part of the national response to coronavirus and any governance issues arising.
- The funding and logistical consequences of delivering the local government response.
- Assessment of the longer term disruption and consequences arising from the coronavirus pandemic.

The committee is asked to consider and approve the draft Annual Governance Statement presented at Appendix A to be included within the Council's Annual Statement of Accounts for 2019/20.

The Annual Governance Statement will 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 following approval at this committee.

In July 2016 the Full Council approved a new Code of Corporate Governance for the County Council and agreed that the Code would be reviewed every year. The Code is based on Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority of Chief Executives (SoLACE) best practice guidance, and should articulate and be consistent with the expected standards, principles and values by which Lancashire County Council Officers and members will operate. There should be clear links between the seven principles within the Code, and the governance framework of strategies, policies and procedures which underpin it. The Code is also in a format that includes sources of evidence providing clarity for members, officers and stakeholders about how the organisation uses the principles of the Code in practice.

Therefore, the Code now presented for approval at Appendix B has been updated to include new sources of evidence such as the Property Asset Management Strategy and Digital First Strategy.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Good governance enables an authority to pursue its vision effectively, as well as underpinning that vision with robust arrangements for internal control. This includes establishing effective arrangements for the control and management of risk. Failure to publish an Annual Governance Statement means the county council would undermine its responsibilities for ensuring accountability and the proper conduct of public business.

Legal Implications

The county council must adopt a Code of Corporate Governance which has been produced to the standards prescribed in the best practice guidance in order to prepare the Annual Governance Statement. The best practice guidance is recognised as the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority of Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government (2016).

Financial Implications

Good governance leads to effectiveness in the areas of management, performance, stewardship of public money and public engagement, which all ultimately promote good outcomes for citizens and service users. However, there are costs associated with embedding and continuing good governance practices, and as the council's organisational structures develop, the costs associated with governance need to be monitored to ensure they remain proportionate.

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Service/Tel
None		
Reason for inclusion in Part II, if appropriate		
N/A		

Draft Annual Governance Statement 2019/20

Executive Summary

The Leader of the county council (County Councillor Geoff Driver CBE) and the Chief Executive and Director of Resources (Angie Ridgwell) both recognise the importance of having good management, effective processes and other appropriate controls in place to run the county council in delivering services to the communities of Lancashire.

Each year the council is required to produce an Annual Governance Statement (AGS) which describes how the corporate governance arrangements have been working across the group. To help do this both the council's Corporate Management Team (CMT) and the Audit, Risk & Governance Committee undertake a review of the council's governance framework and the development of the AGS.

This year, the Covid-19 (CV-19) crisis has brought unprecedented challenges for local government and the county council has sought to minimise disruption to the services we deliver. The county council has shown that it can thrive in the most challenging of circumstances. We have seen a combination of a flexible dynamic committed workforce and implementation of new ways of working that will reshape the council going forward.

The first week of the crisis was a logistical challenge translating work patterns and programmes into a different operating model. In some respects we did six months transformation in a week. As we move to recovery we will look to build on the best parts of our response that point the way to the future.

1

Whilst CV-19 will have impacted on our governance during March 2020 we also need to ensure that the AGS is current at the time of its publication, so it is essential therefore that the AGS reflects the impact of the CV-19 pandemic on governance. Therefore we will include a second conclusion on the adequacy of governance arrangements during this period to make clear the impact.

The impact on governance falls broadly into the following broad categories:

- Impact on business as usual in the delivery of services
- New areas of activity as part of the national response to coronavirus and any governance issues arising
- The funding and logistical consequences of delivering the local government response
- Assessment of the longer term disruption and consequences arising from the coronavirus pandemic.

Once the crisis is over we will conduct a review of the lessons to be learned from our response. As such, this will be one of the organisation's significant governance issues for 2020/21.

On the 27 July 2020 the Audit, Risk and Governance Committee considered the content of the proposed governance statement to ensure that it properly reflects how the council is run. The final statement is signed by the Leader of the council and the Chief Executive and Director of Resources.

2

Governance Issues

Overall it can be confirmed that the council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst these generally work well our review has identified the following issues which are currently underway but not yet completed:

Key Delivery/Improvement Area	Lead Officer	To be delivered by
Reshaping the council	Chief Executive & Director of Resources	31 March 2021
<ul style="list-style-type: none"> Delivering Our Improvement Journey 	Director of Organisational Development & Change	
<ul style="list-style-type: none"> Develop a sustainable financial strategy 	Director of Finance	Ongoing
Getting to Good (Children's Social Care)	Executive Director of Education & Children's Services	Ongoing
Response to Special Educational Needs & Disability (SEND) inspection	Executive Director of Education & Children's Services	Ongoing

Key Delivery/Improvement Area	Lead Officer	To be delivered by
Managing major projects	Executive Director of Growth, Environment & Transport	31 March 2021
Financial leadership challenges in health and social care	Executive Director of Adult Services & Health & Wellbeing	31 March 2021
Core systems and data	Director of Strategy & Performance	31 March 2021
Future provision of ICT Services	Chief Digital Officer	31 March 2021
Response to and recovery from CV-19	Chief Executive & Director of Resources	Ongoing

Progress made against the issues identified in last year's AGS is reported in this year's statement.

We propose over the coming year to address the matters identified and will monitor implementation and operation as part of the performance management role of the Corporate Management Team and the Cabinet. The Audit, Risk and Governance Committee will also help us with independent assurance during the year.

----- county councillor Geoff Driver CBE
Leader of the council

----- Angie Ridgwell
Chief Executive and Director of Resources

Signed on behalf of Lancashire county council

Introduction

Local authorities are required by statute to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/Solace "*Delivering Good Governance in Local Government Framework*" (2016) (the Framework) helps fulfil this requirement. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people

The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

As mentioned in the executive summary, coronavirus will have impacted on governance during March 2020 and authorities also need to ensure that the AGS is current at the time of its publication, so it is essential therefore that the AGS reflects the impact of the Covid-19 pandemic on governance.

What is Corporate Governance?

Corporate governance is about the systems, processes and values by which councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.

The council has adopted a Code of Corporate Governance which follows the CIPFA/Solace guidance "*Delivering Good Governance in Local Government*" (2016) which defines the seven core principles that should underpin the governance framework of a local authority:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Key Elements of the County Council's Governance Framework

Key elements of Lancashire County Council's governance framework are set out below:

Leader, Cabinet & council	Decision Making	Risk & Performance Management
<ul style="list-style-type: none"> • The Leader provides leadership • Cabinet develops and sets policy • Full Council agrees the annual budget, sets Council Tax and the policy framework including the Corporate Strategy (the cornerstone of our policy framework) 	<ul style="list-style-type: none"> • Meetings are held in public and many are webcast • Decisions are recorded on the council's website • Scheme of delegation 	<ul style="list-style-type: none"> • Risk registers identify both operational and strategic risks • Key risks are considered by Corporate Management Team (CMT), Cabinet Committee for Performance Improvement (CCPI) and Audit, Risk and Governance Committee • Processes are in place for managing and reporting performance to CMT and members (CCPI) • Directors complete assurance statements
Council's Leadership Team	Scrutiny & review	External & Internal Audit and review
<ul style="list-style-type: none"> • Head of Paid Service is the Chief Executive who is responsible for all council staff and leading Corporate Management Team • Chief Executive is the council's S151 Officer and is responsible for ensuring the proper administration of the council's financial affairs • The Monitoring Officer is the council's Director of Corporate Services who is responsible for ensuring legality and promoting high standards of public conduct 	<ul style="list-style-type: none"> • Scrutiny Committees review council policy, decisions and budget proposals • Work to deliver local public sector accountability 	<ul style="list-style-type: none"> • External audit provides an opinion on the council's annual statement of accounts and whether the council has secured economy, efficiency and effectiveness in the use of its resources • Internal Audit provides regular assurance on the governance, risk management and internal control framework • External inspections provide an accountability mechanism • Peer challenge/reviews highlight good practice and areas for improvement

How do we Comply with the CIPFA/SoLACE Framework?

The council has approved and adopted:

- a Local Code of Corporate Governance
- the requirements of the CIPFA/SoLACE Framework Delivering Good Governance in Local Government Framework 2016
- a number of specific strategies and processes for strengthening corporate governance.

An updated Local Code of Corporate Governance can be found here [\[insert link\]](#). This shows how the county council has complied with the seven principles set out in the CIPFA/SoLACE Framework. The Code is reviewed annually, and the outcome reported to Audit, Risk and Governance Committee and presented to Full Council for approval. It sets out the requirements underpinning these principles and how the council ensures that it meets them along with the evidence base used to assess their effectiveness.

Managing Risk & Performance

Performance management is a key component of the council's approach to achieving its outcomes. Part of this process involves identifying and where appropriate, mitigating risks, ensuring that performance and risk management processes are in place throughout the organisation with effective processes to ensure sound financial management. Managing risks is the responsibility of services. All service risks are scored on the same basis and the greatest risks are elevated onto the Corporate Risk Register.

Service risk & opportunity registers are updated regularly, and the Corporate Risk and Opportunity register is reported to Corporate Management Team, Cabinet Committee for Performance Improvement (CCPI) and Audit, Risk & Governance Committee on a quarterly basis. Following a pilot in Education and Children's Services, CMT have agreed to report risks at a directorate rather than service level and introduced a risk profile summary to improve decision making. This has not yet been implemented across the organisation as quarterly reporting was suspended as a result of Covid-19. Instead, weekly service level situation reports were introduced and continue to be in place. The Corporate Risk & Opportunity register and further information about the approach to risk management can be found here [\[insert link\]](#)

Equality Impact Assessments are used throughout the organisation to assess the impact of service proposals and to inform decision making.

The budget setting process is well established, and services prioritise budgets and spending to achieve intended outcomes. In recent years the budget setting process has inevitably focused on achieving savings whilst still focusing on the priorities of the political administration.

The medium term financial strategy is updated and reported to Cabinet together with relevant resource forecasts and takes full account of the changing regulatory, environmental, demographic and economic factors that impact on the financial environment in which the county council operates. The quarterly report to the Cabinet, 'Money Matters', includes in-year revenue and capital expenditure monitoring information along with updates on the multi-year capital programme. The final outturn position was reported to Cabinet in July. Financial Monitoring Boards are also embedded to oversee challenge options that have been agreed as part of budget savings with exception reporting to CMT.

Last year, Full Council agreed a new corporate strategy 'Our Vision for Lancashire' that includes a new set of high-level metrics which will enable the overall success and progress of the strategy to be monitored and demonstrated. Members of all Scrutiny Committees were invited to attend the 'Corporate Strategy – Scrutiny of Key Metrics' workshop held in June 2019, to debate the proposed key metrics or identify additional ones. The outcomes of the workshop were reported to CCPI.

In addition to the high-level metrics relating to the strategy, the CCPI will continue to regularly receive the more detailed, service specific performance metrics which enable members to monitor ongoing service delivery and performance. The reports highlight good performance and areas for improvement (further reports setting out improvement action plans are presented when necessary). A detailed forward plan for the annual reports has been developed with the Leader of the county council, as Chair of the Cabinet Committee on Performance Improvement.

A new Performance Board was established that is chaired by the Director of Strategy & Performance. The Board receives a suite of performance dashboards, which draw attention to concerns with performance, describe recovery plans, and escalate issues for discussion and action to CMT. Any concerns with the quality of the data are highlighted immediately and the recovery plan will focus on improving the data quality. Once there is confidence in the data, performance concerns are the focus of discussion. This approach requires a deeper understanding of data presented and is driving up the quality of data and reporting across the council.

Managing our Resources (Value for Money)

The council's external auditors, in their assessment of 2018/19, gave an unqualified opinion on the group's financial statements on 29 July 2019 and were satisfied that the council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources this year.

The auditors commented that the council's financial position remains challenging and continuing reliance on reserves is recognised as unsustainable. The savings programme and budget gap remains highly challenging, and it is important that the momentum for change established over the last few years is maintained and financial control remains robust.

Therefore, throughout 2019/20 projections were reported to both the CMT and Cabinet in the 'Money Matters' report which forms a regular review point for assessing the effectiveness of financial plans. The current budget strategy remains to use budget savings with the use of reserves and capital receipts to ensure funding requirements are met. However, this will be impacted by our response to CV-19 and the forecast will need to be reviewed in light of any central government funding proposals for local government.

The council ensures that it provides timely support, information and responses to its external auditors – properly considering audit findings and assumptions around what may happen in the future particularly relating to those elements that cannot be directed by the council.

Financial Sustainability

Financial sustainability remains the greatest risk facing the county council. However, whilst the council's financial position has not been fully stabilised, over the course of the last year considerable work has been done to improve it.

As a result, the 2020/21 revenue budget approved at Full Council did not require any structural funding support from reserves and it was anticipated that available reserves will be sufficient to support the council's expenditure until at least 2022/23. However, whilst work is continuing to identify further savings so that a financially sustainable position can be achieved, the impact of CV-19 on the council's financial resources is not clear at this time. Further information on this is set out in the specific section on CV-19.

The council regularly updates its medium term financial strategy. The forecast for future years takes into account anticipated cost pressures (both inflationary and demand led), planned savings and expected resource levels. The forecast is necessarily underpinned by a range of estimates and recommendations are reviewed through the Corporate Management Team, Cabinet and the Audit, Risk and Governance Committee as appropriate.

The financial management arrangements of the council conform to the governance requirements of the CIPFA Statement on the *Role of the Chief Finance Officer in Local Government*.

Public Bond Issue

The county council has been considering long term loan financing through accessing the capital markets and using alternative sources of funding to the Public Works Loan Board for many years. Some of the perceived obstacles that have prevented us from pursuing these options in the past have been addressed and it was considered that it may now enable the council to obtain financing at reduced costs. This was agreed by Cabinet in February 2020.

How do we Know our Arrangements are Working?

There are a number of ways we do this:

The Role of Management

The Corporate Management Team oversee the review of the council's governance arrangements. Following this review, they can confirm that appropriate internal controls for which they have responsibility are in place, in particular their scrutiny of regular budget and performance reports including performance against savings targets within the Medium Term Financial Strategy.

Directors have the day to day responsibility for managing and controlling services – they are accountable for their successful delivery. They set the culture, develop and implement policies, procedures, processes and controls. Directors have completed an 'assurance statement' for 2019/20 that reports on service compliance and they produce in-year quarterly service risk registers that set out appropriate mitigating actions for significant risks. Where the evidence needed to provide full assurance is not available, improvement plans are in place.

The Monitoring Officer regularly reviews the council's Constitution and ethical governance arrangements and there are regular briefings on key corporate governance issues to Directors and Heads of Service.

The Role of the Audit, Risk & Governance Committee

The council's Audit, Risk and Governance Committee plays a vital role in overseeing and promoting good governance, ensuring accountability and reviewing the way things are done.

The committee provides an assurance role to the council by examining such areas as audit, risk management, internal control, counter fraud, treasury management and financial accountability. The committee exists to challenge the way things are done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the council's governance, risk and control environment.

In addition to the standard items on the agenda, the committee considered reports on the following:

- Code of Conduct – Summary of Complaints. For this item the appointed 'Independent Persons' who advise the Conduct Committee, were invited to attend the meeting in October 2019.
- Update report: Outstanding actions from 2017/18 Audit work programme, Adult & Children's Services
- Update on Neighbourhood Wellbeing Grants

In July 2019, the Chairman presented his second annual report. The report set out the work the committee had undertaken and provided a means by which it was able to review its own effectiveness. Appropriate training and development opportunities have been put in place during the year.

Further information about the role of the committee can be found here

[\[insert link\]](#)

The Role of the Head of Internal Audit

The Head of Internal Audit is required to provide an independent opinion on the council's governance, risk management and control frameworks and therefore the extent to which the council can rely on them. The Internal Audit Annual Report and opinion have been considered in the development of the Annual Governance Statement.

Audit work has progressed well against an ambitious plan and **75%** of the work completed by the year end has yielded favourable assurance over the design and operation of the services, systems and processes audited. Despite the challenges facing managers across the council the Internal Audit Service has been welcomed and supported in undertaking its work during 2019/20. The auditors have withdrawn from work in some areas where necessary whilst further action has been taken by management to understand the issues and plan the improvements still required but, overall until March 2020, have had access to services in every directorate.

As a result, the Head of Internal Audit's overall opinion as set out in the Annual Report is that **moderate** assurance can now be given regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control for 2019/20. The organisation still faces a number of challenges, as set out in the rest of this statement, and during the year a number of areas were subject to ongoing necessary improvement as well as additional cost-saving activity. Even before the onset of covid-19 there were still considerable demands on the council's resources that put the improvement of its services, systems and processes at risk. The need to support service improvements and cost savings with improvements in ICT systems in particular remains, and will be particularly challenging in the coming year as the council prepares for the return of the ICT Service from BT Lancashire Services Ltd. However the organisation as a whole is well controlled and is clearly demonstrating its strong ambition to improve further.

External Assurances

The opinions and recommendations of the External Auditor and other inspection and review agencies and peer reviews offer us further assurance.

Information Governance

The council has a comprehensive Information Governance Framework in place, overseen by the Corporate Information Governance Group. The group is attended by the Senior Information Risk Officer and Data Protection Officer. Last year, the council was being monitored by the Information Commissioner's Office (ICO) in terms of response times to subject access and freedom of information requests. In response we improved capacity and put in place better monitoring procedures. In June 2020 the ICO informed us that they were satisfied that we had acted promptly to remedy the issue and ceased monitoring.

Local Government & Social Care Ombudsman

During 2019/20 Full Council considered three public reports from the Local Government & Social Care Ombudsman in relation to children's social care. In all three cases the Ombudsman found fault causing injustice. Full Council noted the actions already taken and endorsed further actions to remedy the complaints.

Lancashire County Developments Limited

Lancashire County Developments Limited is an owned subsidiary of the county council. As a material entity it forms part of the council's group accounts. The county council has the power to change decision making rights, and to appoint and remove Directors of the company. Board Directors are county councillors who regularly meet, and receive financial and performance reports. In the 2019/20 financial year there have been no governance issues reported. The company is annually subject to a separate external audit to the county council.

Scrutiny Committees

The work of the five Scrutiny Committees is presented to Full Council on an on-going basis for comment and discussion.

There is also a cross party Budget Scrutiny Review Panel. The Panel:

- Provides further support to the overall budget monitoring process
- Considers and formulates recommendations on Cabinet budget proposals
- Monitors progress of agreed budget savings

The Review Panel in exercising this function contributes to a robust budget scrutiny process and supports effective monitoring of the county council's budget. The Review Panel's role is not to lead on the management of the budget or to set a budget, but to provide support as a 'critical friend'. The Review Panel reports to the Internal Scrutiny Committee.

Political Governance

During the year, the Political Governance Working Group met with the remit to make recommendations to Full Council on revisions to the Constitution, Standing Orders and other democratic processes and procedures. The working group operates on a cross party basis with representation from all political groups. The working group recommended changes to standing orders that were adopted by Full Council. The agreed changes focused on Full Council procedures, including Question Time and Notices of Motion. The protocol on language and behaviour was also updated. At its meeting in February 2020 Full Council agreed a number of changes to the Constitution including: updates to Articles 2, 3 and 8 to bring the wording in line with current practice, amendments to the Terms of Reference of the Regulatory Committee and a change to the designated Statutory Scrutiny Officer.

Looking Back on 2019/20

Several improvement actions were identified as part of the 2019/19 Annual Governance Statement. All of these have been the subject of detailed reports to Cabinet and/or committees or Full Council. Set out below is an update in relation to each area:

Reshaping the Council

A lot of excellent work had taken place in 2018/19 with the implementation of the Operational Plan and adoption of a Corporate Strategy. However, there was a risk that the council would not be sufficiently radical or innovative to transform services at the required pace to achieve the scale of change needed during 2019/20 and beyond.

Without the required workforce plans, capacity and skills in place, or the necessary drive to support and deliver a financially sustainable organisation, there was a risk that change opportunities were missed that may result in us not meeting the needs of service users or delivering a balanced budget.

Therefore, building on the achievements of the Operational Plan, the county council pursued two priorities in 2019/20:

1. Through our People Strategy ensuring adequate workforce plans, capacity and skills are in place across the organisation

This focused on:

- Supporting the development of managers through continued leadership and management modules
- Workforce sustainability including succession planning & recruitment and retention

- Continuing use of the apprenticeship levy to increase the number of apprentices and support critical development needs
- Continuing to respond to the issues raised in the staff survey
- Managing absence effectively

During the year, we implemented a new recruitment system to improve the speed of recruitment and streamline processes. To attract people to work for us we started building a Lancashire brand and established a new career website. A new suite of leadership and management modules to support our managers were introduced that are linked to national standards.

The staff survey was completed and analysed. Managers have put in place action plans to address the issues raised. There has been a key focus on health and wellbeing to improve attendance at work and embed a healthy workplace. A narrative on 'Our Improvement Journey' was published with an aspiration to be council of the Year 2021. To support us with this aspiration, Cabinet agreed to appoint a partner to work us on organisational development. Initial scoping work and a diagnostic has been completed as part of the concept and shape phase. The Concept and Shape sprint exercise which the council undertook between Jan 2020 and April 2020 resulted in a final report which sets out the current position, and proposes six key areas of activity in the future which will help to deliver Our Improvement Journey:

- Our customer experience
 - Our staff experience
 - Our strategies and priorities
 - Our process
 - Our digital and technology
- Transition governance

2. Embed a focus on service delivery

Building on the success of the service challenge work carried out during 2018, a phase 2 service challenge process was implemented to help reduce the financial gap that is still anticipated for 2022/23. To take this forward a new board was established to oversee the process. Several cross-cutting strands were identified to develop new savings proposals and as a consequence this constituted the programme of work focused on developing a sustainable financial strategy. In addition to the cross-cutting themes, some services from phase 1 were subject to further challenge based on updated benchmarking data. The outcome of the challenge process was fed into the budget setting process.

Getting to Good

There were continued pressures throughout 2019/20 on our children's social care services, with high rates of children in need, child protection and children looked after (CLA), a position which needed to be safely reversed. More recently, CLA numbers have started to stabilise, with a stronger focus on permanence and a move away from a risk model to a more strengths based approach to practice. Data relating to children and young people leaving care showed a need for continued focus on the support that we provide to enable young people to live in suitable accommodation and to access education, employment and training. More positively, the experience of our workforce grew, and average caseloads continued to fall, helping to ensure that more visits were occurring on time and that there was better supervision. Strengthened leadership is helping to ensure an increasingly confident and experienced workforce and we are seeing good performance against an increasing number of key indicators. Our decision to implement Family Safeguarding will give us challenge to improve practice.

Our progress on key areas included:

- Developed a Multi-agency Early Help Strategy which has been endorsed by the Children, Young People & Families Partnership Board. This will support a cultural shift towards an enabling asset based approach that recognises the potential in families to help themselves
- Early Help Partnership Officers were appointed (September 2019) in each area to support partners in their delivery of the multi-agency early help strategy
- Our social work workforce is growing in experience. Social workers know their children well and the June 2019 Peer Review found examples of good practice observed from both experienced social workers and newly qualified (AYSEs). Turnover rates for social workers remains low
- Alongside our work on Early Help, we began work to implement the Family Safeguarding Model in Lancashire, building on national best practice and using the approach to build strength based practice
- Our performance management arrangements and management oversight has led to improved practice in response to issues we identified. For example, the timeliness of assessments is currently at 88.8% (Dec 19), well above national, north west and statistical neighbour rates, and an improvement from 82% in 2018/19
- A Permanence Action Plan and Sufficiency Strategy was developed to help reduce Children Looked After numbers and increased use of family group conferencing as a demand management strategy

Managing Major Projects

Control measures had been put in place for projects that reflected the Major Projects Review. Key projects for the year were to be included in the following programmes:

- Preston, South Ribble and Lancashire City Deal

- Growth Deal (e.g. Advanced Manufacturing Research Centre)
- Enterprise Zones (e.g. Salmesbury)

Each project was developed in line with the processes established in the Major Projects Review and the Capital Board continued to monitor progress. An Internal Audit identified that a considerable amount of work had been completed on the asset management strategy that underpins both the capital strategy and the development of a risk register for the capital programme.

- Internal Audit have given substantial assurance over the effectiveness of controls operating over the Systems Support function within Core Systems
- The establishment of a Quarterly Portfolio Review Board at Head of Service level will manage issues and escalations

Core Systems & Data

As part of the senior management restructure completed last year, Core Systems and Business Intelligence were brought together under the direction of the Director of Strategy & Performance. This allows them to be considered in their entirety to ensure synergies are optimised so that consistent and triangulated management information is delivered alongside measurably improved service performance. This was further strengthened by the appointment of a Chief Digital Officer. Such a move is consistent with the highest performing councils and ensures the delivery of organisational performance sits with the directorate ultimately responsible for the setting of the organisation’s strategic direction.

The decision not to extend the BTLS contract creates new expectations for how we are going to deliver services to our customers and the launch of the Digital First Strategy has given us an ambitious programme and focus for the future. The appointment of a Chief Digital Officer strengthens the IT

Leadership capacity and will help deliver on these and other major programmes for staff, customers, residents and members.

Our progress on key areas included:

- 'Project Accuracy' for Adults Services focussing on procedures and data quality. A 'Proof of Concept' project is underway which will quantify the cost and resource needed in order to develop the trackers from core systems. This solution will form part of the Business Intelligence toolkit for use across the council. A data quality dashboard is included which will support work to improve data quality
- A Corporate Reporting Strategy has been developed by Business Intelligence in conjunction with Core Business Systems and BT Lancashire Services. This is also featuring as part of the data strategy which forms part of the council's Digital First strategy
- The Internal Audit Service have given substantial assurance over the effectiveness of controls operating over the Systems Support function within Core Systems

Special Educational Needs & Disability (SEND)

The Special Educational Needs and Disabilities (SEND) Written Statement of Action (WSoA) has been implemented by Lancashire partners. There has been a significant focus on developing governance, accountability, strategic direction, establishing key posts and engaging partners, including parents and supporting the new, independent Parent Carer Forum to engage as an equal, strategic partner.

We are clear that some of our services still require improvement; the WSoA was revised and supported by an Improvement Plan for 2019-2020; of the 47 actions; 33 had been completed and 14 were carried forward into the Improvement Plan. The plan, agreed in April 2019, set out the action partners will continue to take together as part of the improvement journey.

Our progress on key areas included:

- Improvements in the quality of Education, Health and Care Plans took place; a quality framework has been agreed and individual service quality assurance, training, and audit is supported by multi-agency audits. A plan to accelerate the pace of change was agreed
- Leaders from across the partnership are working together strategically to deliver a shared vision.
- The SEND Partnership is now well established, involving all key partners, parents, carers and young people. Governance structures are clearly defined and the Partnership has a shared vision and strategy
- Parents and carers are part of the strategic governance and leadership arrangements in Lancashire. A variety of communication mediums have been established and are being embedded. The Parent Carer Forum members are active members of the Partnership.
- A Partnership Improvement Plan is in place to ensure that the progress made to date continues to take place. The Partnership board is proactive in addressing delay and/or limited progress; agreeing five Accelerated Progress Plans where it is felt insufficient progress has been made to improve outcomes for children, young people and families or where pace has been slow to implement agreed action

The SEND revisit by Ofsted and the Care Quality Commission (CQC) was completed in March 2020. However, as all Ofsted and CQC inspections are currently suspended we do not expect to receive the published report for some time and this will be following the re-introduction of inspection processes.

Residential Rehabilitative Support

The review of Residential Rehabilitative Support concluded with a final report at the end of May 2019. The Better Care Fund Steering Group

reviewed the report and identified that there were additional benefits and opportunities for significant improvement and cost savings across the NHS local government system. An Advancing Integration Board that the Executive Director of Adult Services & Health & Wellbeing co-chairs with an Accountable officer from East Lancashire CCG stepped up to progress this programme and reports into the Health & Wellbeing Board and Integrated Care System.

Early discussions suggest an exit from this model of delivery may be agreed in Pennine (during 2020/21) and Fylde Coast (2020/21 and beyond), but other areas have yet to reach conclusions.

Supporting Disadvantaged Families to Fulfil Their Potential (Troubled Families Programme)

We can evidence significant and sustained change for the families in Lancashire through the interventions of the Troubled Families Programme. The programme has been extended up to March 2021. During this year the national team will be working with us to develop a proposal to continue or replace the current programme which will be submitted for consideration by ministers.

Recruit & Retain Experienced Staff Across the Organisation

A strategic approach to further develop succession planning requirements across the organisation is underway. This will include the recruitment to 'hard to fill' posts and reduce the reliance on agency staff. Proposals on reshaping the apprenticeship programme to maximise the apprenticeship levy and support the delivery of the Peoples Strategy started to be implemented. Work on developing a more focused graduate offer commenced and steps to improve the health and wellbeing of staff through initiatives such as the 'time to change' programme were implemented. As mentioned earlier we have established a new career website and developed the 'Lancashire Brand'.

Future Provision of ICT Services

The current ICT contract expires on 31 March 2021. Failure to put in place suitable arrangements will impact on organisational effectiveness and service delivery so we engaged the Society of IT Management to undertake an independent review of our options. The review considered current provider service performance and how it benchmarks with other authorities.

Following the review, Cabinet agreed not to extend the current contract and transfer the service back into the council. To facilitate this, an ICT transition partner was appointed together with a Chief Digital Officer. Appropriate governance arrangements have been put in place.

Financial Leadership Challenges in Health and Social Care

A new risk that emerged during 2019/20 focused on the collective leadership ability to ensure secured joint funding to support vulnerable children and adults. Mitigating actions included:

- Health & Wellbeing Board (HWBB) oversight of key priorities including intermediate care and SEND
- Individual Patient Activity (IPA) Board established for adults/children's services to develop effective arrangements for joint funding. The IPA was set up by NHS under the aegis of the Integrated Care System (ICS) to tackle the delays in funding primarily for individuals being considered for continuing healthcare
- SEND Partnership Board providing system governance for the SEND Improvement Plan
- Internal Health Integration Board established to ensure a clear county council approach to integration

- Representation at key Integrated Care System meetings has been agreed including cabinet member at executive board level and chief executive at system leadership executive level
- Review of Health and Wellbeing Board Arrangements including support for a more significant role

Neighbourhood Wellbeing Grants

It was reported to Audit, Risk & Governance Committee in May 2019 that there had now been some contact with all recipients of the grant apart from one who had received £1,000 (this recipient had since ceased operations).

Contact had also been made with an additional two organisations and the requested paperwork was anticipated (now received). Partial monitoring information had been received for a further five organisations. In total this equated to less than 3% of the grant funding issued. An update has been provided on the progress of the remaining groups to members of the committee outside of the committee meeting.

Responding to the Coronavirus Pandemic

CMT agreed to add CV-19 to the Corporate Risk register at the beginning of March 2020 and started to consider its implications. However, events moved very quickly and the council's response is set out in a separate section of this statement.

Governance Challenges for 2020/21 and Actions to be Taken

Reshaping the Council

Our Improvement Journey - In 2019/20 we commenced on Our Improvement Journey with an aspiration to be council of the year 2021. This work stopped when staff were redeployed into new roles to respond to the CV-19 pandemic. However, as we move out of crisis response to recovery our focus will be on how we can develop Our Improvement Journey to help deliver our vision. The first phase of the journey – Concept and Shape – has been completed. A new set of priorities have been agreed and the next stage will be to turn everything we have learnt from phase one into a series of plans for how we support our staff and partners to deliver those priority improvements. We have recently appointed a new Director of Organisational Development and Change to lead this work.

CMT have recently agreed our transitional approach that sets out the priority areas to focus on in the short term as we look to align our recovery efforts following Covid-19 with our improvement journey. Phase 1 work packages will be developed in four key areas (all of which will support recovery) and we will be looking to commence:

- Staff experience (reconnecting with staff)
- Customer experience
- Programme governance
- Data and insight

Further work packages will be developed based on the high-level action plans set out in the final Concept and Shape Report, for roll-out as we transition into recovery & beyond.

Financial Sustainability - Like many councils, Lancashire County Council is facing significant financial pressures, and whilst good progress has been made in addressing the forecast financial shortfall over the medium term, further work is required to ensure the council can achieve a financially sustainable position. To achieve a balanced budget from 2022/23 the council will need to address a funding gap of around £33 million (but this is necessarily being reviewed and updated in light of CV-19) and the increased uncertainty regarding future funding and spending pressures. Work continues to address the budget deficit through a number of work streams that include - Organisational, Finance & Commercial and Health & Care.

There are inherent risks with savings plans of this scale and scope and any significant under-delivery of agreed savings as a result of our response to CV-19 will further impact on achievability. The Service Challenge Board will continue to have oversight and progress will be monitored by Financial Management Boards at service level.

Getting to Good

Children's Social Care - We will continue to establish the new senior leadership team, following the appointment of two new Directors for Education and Skills and Children's Social Care in 2019/20. We will refresh our Getting to Good Plan to ensure continued focus and pace in improving the quality of practice, making the shift from 'requires improvement' to 'good', using 'sprints' to achieve traction. Implementing the Family Safeguarding approach will help us secure progress against the 'good criteria' with a focus on demand management and permanency for children outside of local authority care. We will look to maintain and improve our performance, working with Partners in Practice to support work on improved use of performance data and work to ensure consistency of practice across localities.

Our other improvement priorities include multi-agency work on thresholds, completing the Multi-Agency Safeguarding Hub (MASH) / Front Door review and strengthening the multi-agency early help offer.

Special Educational Needs & Disability (SEND) - There has been a significant focus on developing governance, accountability, strategic direction, establishing key posts and engaging partners, including parents, and supporting the new, independent, Parent & Carer Forum to engage as an equal, strategic partner. Our improvement priorities for the next twelve months include:

1. Delivering our five Accelerated Improvement Plans
 - Quality of Education, Health and Care Plans (EHCP's)
 - Education Outcomes
 - Transition arrangements
 - Information about the Local Offer
 - Implementing Neuro-development Pathway
2. Being clear about maintaining our challenge to
 - Improve the experience for those using our services e.g. to the process of transition in health, education and social care
 - Accelerate our pace to improve quality and outcomes e.g. quality of EHCP's and outcomes in education
 - Demonstrate that we have made a difference e.g. to the lives of our children as they become young adults
3. Showing we are committed to a coherent way of working by
 - Extending our Joint working arrangements e.g. delivering the Child and Adolescent Mental Health Service (CAMHS) re-commission and the neurodevelopmental pathway
 - Improving service practice to better meet need e.g. implementing the Behaviour Strategy with our education and health providers

- Reviewing provision and the estate to support our offer e.g. reshaping the school offer in line with identified need

Future Provision of ICT Services

The BTLS contract comes to an end on the 31 March 2021 and we are currently preparing for this. The contract is, however, much more than just ICT, and we will need to ensure that all the services that are currently delivered by BTLS are transferred back to the council in a seamless manner.

This will involve co-working with Lancashire Constabulary, West Lancashire Borough council, schools and others to be successful. The Chief Digital Officer will be guiding this contract to its conclusion in a safe managed way so that the services, staff, and customers are looked after and the opportunities that 'in house' services bring are realised to the maximum.

Core Systems & Data

The Digital Delivery Plan will be a living document and will therefore be subject to regular change; it will always reflect the current set of in-flight projects we are working on and projects we have identified on the horizon that will need delivering in order to ramp up Lancashire's digital maturity, all in keeping with the council's Digital Strategy.

Core Systems working with Business intelligence and BTLS (our ICT providers) also completed a review of reporting across the authority. This will help shape our Business Intelligence and Reporting Strategy. The development of an architectural vision for the digital strategy is underway, working closely with BTLS. This includes a landscape review of existing technologies.

A Performance and Finance Management subgroup of CMT has been established to enable more focussed management of performance. Interactive dashboards are being developed by Business Intelligence to facilitate this group.

Managing Major Projects

There are now control measures in place for projects and as we move towards recovery key economic development projects will make a major contribution in helping the Lancashire economy bounce back from the crisis. Each project will be developed in line with the processes established in the Major Projects Review and the Capital Board will continue to monitor progress.

Financial Leadership Challenges in Health & Social Care

To reduce the risk that system leadership is unable to address the financial health and care challenges of our population to improve outcomes for children and adults, during 20/21 we will focus on:

- Working with partners to review the Health & Wellbeing Board to improve oversight and challenge
- Delivering against the project plans and activity agreed through children and adults Individual Placement Agreement Boards
- Continued engagement with the health system to ensure we understand the expected impact of the proposed move to a single Clinical Commissioning Group
- Completing the review of Health and Wellbeing Boards
- Ensuring effective linkages between different levels of representation on Integrated Care System groups
- Ensuring the county council is clear about priorities for integration through the internal Health Integration Board

Combined Authority for Lancashire with an Elected Mayor

We have agreed to support work on the development of a combined authority with an elected mayor. The establishment of a combined authority for Lancashire is an opportunity to create a single, clear and influential voice for Lancashire. It is a mechanism to gain powers and funding from Government.

Monitoring Implementation

The key governance challenges facing the council in 2020/21 will be monitored by the Corporate Management Team and are identified risks in the council's Corporate Risk and Opportunity Register. This document is the 'action plan' for each issue identified.

The governance arrangements relating to the Register involve its review by the Corporate Management Team which is then reported in turn to the Cabinet Committee on Performance Improvement and then the Audit, Risk and Governance Committee.

The Register identifies risks, the current controls that apply and the mitigating actions to be taken, producing a "risk score" and a residual score after mitigating actions have been applied.

Conclusion

Overall, the county council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst these work generally well, the council has identified a number of areas where further improvements can be made to strengthen its governance framework. The governance of the county council will continue to be monitored by the Audit, Risk & Governance Committee, Cabinet and Corporate Management Team.

Responding to the Coronavirus Crisis

There has been a tremendous amount of work done by staff and with our partners to ensure that our emergency response has been effective. During this crisis we have had two goals:

- To protect the most vulnerable
- Make sure our most vital services continue to be delivered

We have completely transformed the way in which we do our businesses which is a testament to our preparedness to face emergencies. We could not have predicted the scale and scope of the challenges that this emergency has presented, but because we have exceptionally good business continuity plans, we have been able to rise to those challenges at speed. We recognised that partnership working is the key to an effective response, and have been central to the ramping up of the Local Resilience Forum (LRF) to become the central hub for all activity.

We aligned our response to the LRF structures to ensure clarity and continuity between our internal work and the wider partnership activity. This means that we have a clear understanding of our essential role and can move and adapt to changing circumstances. More recently we have reviewed our structures and established a Covid-19 Corporate Recovery Group.

Impact on Business as Usual in the Delivery of Services

Our extraordinary response to this emergency means we have been able to continue to delivery vital services to the people of Lancashire. That is not to say that it has all been plain sailing. The rapidly-developing situation has meant that we have had to make decisions that we have had to change, and have sometimes made mistakes, but these have all been quickly dealt

with to ensure that we remain on course and we have managed to:

- Keep more than 500 schools open throughout the lockdown period to support the children of key workers and our most vulnerable families. Families who receive free school meals were supported with a meals service and we have sent a daily bulletin out to schools, as well as continually updating our schools portal so that they have the most up-to-date information and advice. Schools remained open over the Easter period and we expected more than 900 pupils to be attending school across the county.
- There are more than 400 care homes across Lancashire and to ensure that they have the most up-to-date information, we have created a new portal on our website where we have been posting all the latest advice and regularly updating the most common questions and queries from those homes. We have also hosted online care provider conferences that have been attended by hundreds of providers. We launched a campaign to recruit social care staff for Lancashire to meet the extra demand that the coronavirus crisis was creating. We received expressions of interest from hundreds of people from across the county.
- We have supported district councils in setting up their community hubs which are now in place in all 12 of our districts. We are also responsible for providing a significant amount of support to the most vulnerable and have ensured there are clear lines of communication with our district colleagues.
- School appeals will be heard over the summer months. Due to social distancing measures these will be heard remotely.
- Internally we have moved from being an organisation which is primarily location-based to one that is primarily remotely-based. We have had record numbers of people using our systems remotely with thousands of laptops being distributed to staff in the space of days.

Many staff who were not in roles which were critical to the emergency response have been shifted to new duties to support the response. As the crisis progressed and the demands on our services and colleagues changed, we placed our resources where they had the most benefit. A new Internal Resource Pool was established. The pool comprised over 1000 staff and the critical functions that have received staff from the pool included:

- CAPACITY TRACKER - to contact community and residential care providers regarding CV-19. The role is to make telephone calls to care providers in Lancashire on a daily basis to understand their current operating position, staffing and any issues related to the current CV-19 situation.
- PROVIDER ASSISTANCE - a contacts list of 'go to people' quickly if a care home falls over and we need to keep it running.
- HOSPITAL DISCHARGES - in Care Navigation, staff needed to ring around care homes to identify places and so help with hospital discharges. This freed up beds for critical care patients.
- PROVIDER QUERIES - Contract Management responding to social care provider queries.
- INFECTION CONTROL RECORDING - Business support staff recorded details of infection notifications.
- INFECTION CONTROL ADVICE - ex nurses or social workers helping to provide infection prevention advice to care homes who are reporting outbreaks and concerns with CV-19.
- PROVIDER ESCALATION TEAM - a provider escalation team was set up that established teleconferences for multi-disciplinary teams in relation to care homes.
- PUBLIC HEALTH –a pathway for staff and their family who display symptoms to access testing was set up.
- EXCESS DEATHS -the Coroners CV-19 project involved taking calls from GPs regarding CV-19. It is a service needed around the clock so people would be on call on an 8 hour shift system.

- REGISTRATION SUPPORT - a hub has been created in Preston. A strict social distancing regime is in place at the hub. Business support staff worked at the hub to carry out the pre-registration 'screening' process for death registrations.
- PERSONAL PROTECTIVE EQUIPMENT (PPE) - there was a need for members of staff to help with a range of activities associated with PPE. These include operating the phone line, taking deliveries, updating stock records, packing PPE packages for internal services and non-council care providers.
- ASSET MANAGEMENT - needed more resources on the Lancashire Volunteer Partnership to work on the helpdesk taking calls and signposting to the appropriate volunteer officer.
- WASTE RECYCLING CENTRES - members of staff were needed to help direct traffic and engage with customer (at a safe distance) when the Centre's reopened
- HIGHWAYS - maintaining safety critical works

Decision Making Arrangements

All formal meetings of the council including cabinet and committees were cancelled in response to the coronavirus situation.

Only business critical decisions were taken, and these have been taken under the relevant urgency procedures. Initially, we deferred all decisions currently listed on the forward plans for Cabinet and committees.

For regulatory-type processes and decisions, we considered the appropriate mechanisms with officers responsible to ensure we meet our obligations.

To ensure that the council is able to make essential decisions quickly to respond in the current circumstances, the Leader agreed for officers to take all Executive (i.e. Cabinet) decisions should the need arise. However, the intention remained that Cabinet decisions were made by elected representatives wherever possible in line with the urgent business procedures and as such this new delegation was for genuinely emergency situations. All decisions made by officers under this specific delegation have been properly recorded.

With the agreement of the Chairman, the Full Council AGM in May was cancelled. All appointments made at the AGM last year, including the Chairman of the council and committee appointments, continued until the meeting of Full Council on 16 July 2020. Any questions or Notice of Motions already submitted were carried forward.

We hosted our first virtual Cabinet meeting in May and Development Control Committee in June with all participants dialling in. We are keeping this under review in line with any future changes to the wider guidance on social distancing / isolation.

Given that councillors have not been able to attend meetings for some time the "6 month rule" that requires them to attend at least one meeting in that time, was extended until October 2020.

Opposition groups have been regularly briefed by the Chief Executive and Director of Resources and Scrutiny committees have been discussing their future work programme in the context of the pandemic.

Managing Risk

Our quarterly risk register was suspended and replaced by a twice weekly situation report that fed into both the Corporate Emergency Response Team (CERT) and CMT. The reports set out:

- Impacts on current service delivery
- Mitigation actions to minimise impacts
- Resource issues – staffing and equipment shortfalls

The reports informed decision making in terms of resource allocation to help minimise the impact within Lancashire communities. The reports also set out actions taken to date and proposed actions. They also provided a forward view highlighting other issues. The reports are shared with multi-agency partners. The reports are now produced weekly. We have also carried out stress testing of our response and scenario planning setting out how we would operate with reduced staffing levels of 20%, 40% and 50%.

To provide flexibility to changing circumstances a number of our human resource policies and procedures have been either temporarily amended or suspended. We have maintained constructive dialogue with the trade unions throughout the crisis.

All staff working from home have been asked to complete a home working risk assessment to ensure they have the correct set-up to work safely at home.

Health & Wellbeing

Many staff are working so hard to look after others through this emergency, but it is also really important that they look after their own health and wellbeing. Keeping physically and mentally well is a challenge for us all. We have ensured that we have lots of useful information on the intranet about the help that we can offer, and guides to how people can help themselves. For colleagues not able to access the intranet, this information is also available on the staff section of our website, which anyone can access. All of our wellbeing information is updated regularly.

New Areas of Activity as part of the National Response to Coronavirus and any Governance Issues Arising

There have also been challenges outside of our control, such as changing government advice which has had a knock-on effect to our response. One issue has been the availability of Personal Protective Equipment (PPE) to frontline staff, which has caused concerns. This was our top priority and we continue to do all we can to provide the relevant equipment to the frontline. We linked in to central government via numerous routes to lobby for quick deployment of necessary equipment to Lancashire.

Working on behalf of the Local Resilience Forum, we have bought significant supplies of PPE, taking delivery of several plane-loads of PPE from other countries. This has provided vital help to our care sector as the following statistics show:

- We have issued more than **1.8m** individual PPE items to our care sector and we received and fulfilled more than **1,500** individual requests for PPE.
- At least **429** different Lancashire county council providers have requested and received PPE.
- Requests have come from both residential/nursing homes (60%) and domiciliary/community services (40%).

Excess Deaths - Temporary Body Storage Facility

Like many other places in the country, we had to prepare for all contingencies as part of our response to the coronavirus pandemic. This meant we had to be prepared for the anticipated increase in deaths.

Therefore we built a temporary facility on BAE Systems' site at Warton with capacity to house 1,000 deceased to prepare for a potential increase in demand from the Lancashire County Council, Blackburn with Darwen and Blackpool areas. The facility was built at pace over a week, and was ready for use in April. The administration and operation of the facility were comprehensively stress-tested before opening. Staff working at the facility were fully trained, and funeral directors have been fully briefed. At all times our aim is to treat the deceased with dignity and respect.

The temporary facility has not been used and has now been put into standby mode. The facility will remain at the site, but will not be operational unless it is needed in the event of a second peak.

Schools

The majority of schools (590) have stayed open to accept our vulnerable children and those of key workers, with thousands of pupils attending each day. All schools have maintained close contact with all parents and pupils. We have been in daily contact with schools and have been supporting them with issues that have arisen, as well as sharing all the latest guidance.

The government's ambition was to have schools accepting more pupils from 1 June in Reception, Year 1 and Year 6, with a goal of having all primary school children back in classes for a month before the summer break. Secondary schools will remain closed, although the government says it expects some one-to-one contact between teachers and pupils in Years 10 and 12.

These aspirations caused significant concern both nationally and locally, given the stringent requirements that would be needed to ensure social distancing and the unique challenges this would create in a classroom environment. We have had productive and detailed discussions with our schools and representatives from the teaching unions. The ultimate decision (based on legal advice to date) about how many pupils it is safe to have in a school depends on context and geography and is therefore one for individual headteachers to make, in consultation with their governing body. However, on 27 May 2020 following careful consideration by our Director of Public Health, we advised schools not to reopen to more pupils from 1 June. This advice was issued because we did not believe that all of the five government tests were being met in the county. Following review, our Director of Public Health revised his guidance to schools about reopening to more pupils and encouraged them to take the decision to reopen to more pupils from 22 June, if they were ready to do so.

Some schools have also requested advice from the Director of Public Health regarding the use of PPE and potential criteria for needing to close in the future if cases re-emerge. Guidance on the use of PPE in schools has been published. PPE packs have been delivered to all primary schools and a plan is in place to do the same for all secondary schools. This is a one-off delivery at no charge. If further supplies are required, this will be chargeable.

Testing

Testing for coronavirus has been a hot national topic and there have been issues with people accessing tests and waiting for results. We have a clear guide on the intranet about who is eligible for testing and how they can be tested. This guide is updated regularly with the latest advice and information, and we remain committed to working with the Local Resilience Forum to lobby government to ensure that Lancashire has enough tests and that the results are timely.

Outbreak management plans are being developed in-line with the national move to Testing, Tracking & Tracing. Arrangements will include the setting up of local health boards and addressing issues around staffing, training and capacity. Work is ongoing to produce a case management system similar that of Public Health England. Testing in care homes continues with support from St. John Ambulance and the military.

Care Home Support Package

At the outset of the CV-19 Coronavirus Pandemic in mid-March 2020 officers and members of the county council identified that support for the providers of adult social care services was an absolute key priority in securing the best possible health and wellbeing outcomes for our most vulnerable residents. A social care cell was introduced as part of Lancashire Resilience Forum (LRF) which the Executive Director of Adult Services, Health and Wellbeing chaired and we submitted a response to the Care Home support package that was developed in conjunction with NHS.

Senior Officers in Adult Services immediately established a Human Aspects Cell (HAC) for Adults Services, which met twice weekly and reported daily into CMT meetings and the Corporate Emergency Response Teams (CERT). This enabled us to maintain a close oversight on the support being given to the care market and also to provide regular briefings to the county council's cabinet and leader of the opposition group. We were assured that the key focus on the care market was receiving laser-like attention.

In addition, senior officers from Adult Services immediately established working groups and cells with key partners including health, district and unitary councils, which often met, and still meet, on a daily basis, in order to manage the vitally important hospital discharge process, provision of PPE for the sector, infection prevention control, data collection, testing and tracing and workforce support.

Provider/Market Engagement

We recognised at the outset of the Covid 19 outbreak that effective engagement and communication with the care market in Lancashire was key to supporting them in their crucial role of securing the best health and wellbeing outcomes for our most vulnerable residents.

We immediately established a Provider Engagement Portal on the county council's website and set up weekly zoom webinars which all Lancashire providers are invited to attend to receive up to date guidance and information. Providers can submit questions which we answer via FAQs on the portal, which we update daily. We also send a weekly newsletter to all providers. We regularly attract around 250 providers on the webinar.

We have received a considerable amount of positive feedback from our valued providers in Lancashire. The questions and comments that we have received have ensured that, through ongoing dialogue, we have provided the clarity or support required to maintain a strong and stable care market during the current crisis and for the future. For example, we have developed a Financial Assistance Scheme to support the current and future financial viability of our care market. It sets out the pathway that providers can follow to secure a speedy response from us in relation to financial issues that they may be facing. This includes accessing additional funding, for example, in relation to additional staffing and PPE.

Data and Intelligence

Similarly, we recognised that 'live' information regarding a number of key aspects of our care market would be vital to enable us to support our valuable providers in Lancashire. Our LRF colleagues supported that view and identified one of their first tasks would be to support us in developing a reliable method of capturing data and intelligence from all providers in Lancashire, and care home providers in particular.

We also recognised from the feedback that we were receiving from providers, that they were being overwhelmed with requests for data and intelligence at a time when they needed to focus their efforts on caring for their residents and service users.

With that in mind a team of people set about developing a CV-19 tracker, with the main purpose of capturing daily intelligence in relation to the outbreak, and also with a mind to how that system could be rolled out to other Lancashire and South Cumbria authorities as part of an integrated way of working to support 'business as usual'.

The LRF supported the tracker and wrote to all Lancashire providers and asked them to take a daily call from county council staff in order to provide information to support the ongoing management of the crisis. There is a tracker for residential services and another for community based services. The North West Association of Directors of Adult Social Services (NWADASS) are looking at the system with a view to rolling it out wider.

The trackers are now up and running with a daily return rate exceeding 80%. The tracker can now be uploaded automatically on a daily basis to the NHS North of England Commissioning Support (NECS) tracker. This has enabled Lancashire to provide a high daily return rate to NECS. The tracker dashboards are available to our health and other partners.

We have enabled Blackburn with Darwen council to provide information into our trackers and we are currently in the advanced stages of enabling Blackpool to provide input. South Cumbria and Sefton councils have also expressed interest. We can amend and adapt our tracker to capture and upload data into NECS as part of the NHS ongoing development of national data requirements.

We have produced a product manual that sets out the flow of information through the tracker and how it is then turned into management information for county council and health colleagues to action. The pathways are clearly set out in the manual which has been signed off by the LRF. Our NHS colleagues have greatly welcomed and supported the success of our CV-19 tracker for both local and national reporting purposes.

One of the main consequences of the intelligence that we can now collate on a daily basis from our providers, is the ability for us to be able to respond at pace to any emerging crisis in one or more care settings. The LRF have supported the development of our Provider Failure Plan which sets out how we and our partners will respond in an emergency situation. This is then subsequently followed up by our newly formed Recovery Team who have developed a plan to support providers to return more quickly to 'business as usual' following a crisis situation.

Infection Prevention and Control

Our Infection Prevention and Control team have played a key role in supporting providers to maintain safe and healthy care services for Lancashire residents. The team have published regular guidance and advice to all providers including guidance documents and video training for the correct use of PPE.

The team is now playing a key role in gathering daily information in relation to outbreaks in homes and supporting care providers in minimising and preventing the further spread of the disease. Their work supports the Care Homes Admissions Policy statement that has recently been signed off by the LRF Social Care Cell. The statement sets out how we will best maintain the status of 'cold' homes (ie those with no cases) and reduce the spread of the infection in 'hot' homes (those with cases). The policy is aimed at ensuring effective and safe hospital discharge and movement of residents between settings.

The next step for the LRF to support this policy will be to establish 'step down' facilities to support effective infection prevention control in our care homes.

Testing in Adult Social Care

The LRF Adult Social Care cell has focused on testing for residents and staff in our care homes. We understand the vital importance of testing everyone who lives or works in a care home setting in managing the spread of the infection and reducing the death rate.

The LRF has recently written to all care homes setting out the testing policy and procedure for care homes to follow for all of their staff and residents. The LRF have also approved the testing policy for care homes. The policy is aligned to the Care Homes Admissions Policy.

To support the testing policy, the LRF military planners have provided training to 70+ volunteers from St Johns Ambulance and army veterans who will attend care homes who need support in carrying out the test swabs.

In the event of significant numbers of care home staff needing to self-isolate as a consequence of a positive test result, the county council has secured an auxiliary workforce who can immediately step in to any care home needing additional staff.

Personal Protective Equipment and Supply

The county council's procurement team have been at the forefront of working alongside the LRF to secure sufficient quantities of compliant PPE to support both the county council's care service staff and the wider market. A PPE pathway has been established which encourages care providers to secure their own PPE equipment via the national route, and to contact the county council in the event that other routes have failed.

The county council has continued to secure sufficient quantities and quality of the full range of PPE which meets national guidance (as it changes). We have received positive feedback from providers as the availability of PPE has been paramount in their continued efforts to contain the virus.

We have approximately four weeks supply of PPE and will continue to order and supply PPE to the market as required. We have also linked the supply of PPE to the financial support offer for providers.

Workforce Support

We recognised that maintaining the supply of a workforce for the care market in Lancashire was another key component to ensuring the stability of the market and saving lives. We quickly established a team of people to develop an auxiliary workforce who we have quickly trained using a variety of online and care setting based methods.

We have used a variety of advertising and recruitment methods to attract a care workforce, including local, regional and national campaigns. The availability is linked to our ability to quickly respond to one or more provider failures (see above).

Clinical Support

One of the pathways that we have established is in relation to nursing support and clinical/medical interventions that may be required in a care setting. We have worked with health colleagues to establish a pathway to access such support from any of the five Integrated Care Partnerships (ICPs) in Lancashire. The pathways are in the final stages of sign off in the NHS and will be included in the Tracker Manual in due course.

Accommodation for Key Workers

We secured more than 2,500 rooms available at hotels and other facilities across the county for key workers where it is impractical or not possible for them to stay at home. This is a remarkable feat which we have led on which is for NHS staff and also our own key workers.

Safe Discharge from the NHS to Social Care Settings

Our adult social care teams work closely with the NHS and other partners to support timely patient discharge and respond to care needs. We have amended discharge pathways to meet the guidance requirements following agreement with our partners. All of our adult social care staff can access the new Hospital Discharge Service Requirements and our senior managers conducted a webinar to support their implementation. Any PPE requirements (and resulting provision and support, including information and advice) are discussed with providers at the point of discharge. We have established a number of pathways to allow for safe and effective discharge.

Returning Professionals Coming to Work in Social Care

The county council is working with various professional bodies, including Social Work England and the Health and Care Professionals Council, to identify returning social work professionals who have worked in the sector within the last few years. Despite issues with the quality of some of the information provided we are working with human resource professionals and looking at other options to get a clearer picture of how many social workers may potentially be recruited from this group.

Test & Trace System

The government has launched its Test and Trace system, which carries with it significant responsibilities for local government. Although formally launched, it is not yet fully operational and we await detail from central Government on what their requirements of us will be for this important part of the country's ongoing plans to be able to live safely with the virus for the foreseeable future.

As an upper tier authority, we will have responsibility for the operational management of localised outbreaks and will be setting up an incident management hub working alongside the NHS and Public Health England. We are also working closely with our district colleagues, who have a key role to play, in helping to understand high risk settings in their areas, supporting people isolating through hubs, and to engage with local business to ensure Covid-secure workplaces and settings.

We will be working collaboratively with our partners through the Local Resilience Forum to establish a consistent framework in Lancashire for testing, sharing data and intelligence, as well as disseminating Lancashire-wide messages to the public and key stakeholders.

An Incident Management Hub (IMH) has been established to support the Test, Track and Trace programme. It is up and running 7 days a week between 0800 and 2000, with a mailbox to triage cases. They will lead on L1 (more complex) cases, such as outbreaks in schools, care homes, homeless.

Community Safety & Domestic Abuse

Through the Community Safety Partnership we are working closely with our partners in the police, housing and health services and wider domestic abuse sector, to reassure people at risk and provide support and guidance.

Active Travel

As Lancashire's businesses prepare to reopen, work is taking place across the county to ensure this can happen as safely as possible. We have been working closely with our colleagues in the districts and business to help our residents take advantage of the easing of the lockdown, whilst still maintaining social distancing to prevent the spread of coronavirus.

One way we are doing this is through the creation of pop-up cycle lanes to encourage people to walk and cycle for regular journeys. The lanes in Lancaster and Preston city centres will make it easier for people to cycle in these busy areas, and avoid using public transport if they can, to help prevent the spread of coronavirus and of course, protect themselves.

By making it easier for people to walk and cycle more, it also has the added benefit of assisting our physical and mental health.

We are also asking people to highlight public places where social distancing may currently be difficult and road space could temporarily be reallocated to give people more room.

Lancashire Outbreak Control Plan

In June 2020, Cabinet agreed to develop an Outbreak Control Plan. This work will be led by the Director of Public Health with NHS and district partners. The plan will address prevention, protection and response. There is a requirement for a Local Outbreak Engagement Board. Cabinet supported the proposal that the Health and Wellbeing Board be empowered to make the necessary arrangements.

The Funding and Logistical Consequences of Delivering the Local Government Response

Pooled Fund Agreement

A pooled funding arrangement between the upper tier authorities in Lancashire to support key expenditure in response to the CV-19 pandemic was established. The Lancashire Resilience Forum identified a need for such an arrangement but, as the forum itself has no legal status, the proposed arrangements were considered to be an appropriate vehicle through which decisions on urgent key expenditure can be taken.

The councils are category 1 responders in the Civil Contingencies Act 2004 (the Act) and therefore are subject to the full range of duties conferred on them in relation to making arrangements for civil protection in an emergency. The councils are required under section 2(1) of the Act to cooperate with each other in connection with their duties in the local resilience area.

The Agreement will run until 31 August 2020 with an option to extend for up to a further 6 months. The Agreement does not prevent the councils incurring expenditure of their own outside of this arrangement. The county council is acting as accountable body for the pooled fund and made an initial contribution of £380,000. However, to date the total expenditure incurred by the LRF is in excess of £10m with county council contributing £6.6m. We have also established an agreement with the NHS in response to the funding flowing via the NHS to support hospital discharge.

Impact on our Revenue Budget

To date, we have received an additional £56m from central Government to help us meet the costs of responding to the pandemic. However, the current estimated cost to the council is in the region of £100m. These costs are not all attributable to direct expenditure on CV-19 related activity but include the savings we have not been able to deliver this year as a consequence of responding to the crisis and the estimated loss of income. This will leave a forecast gap of £44m.

Whilst we anticipate that we will be able to deliver within our available funds this year, the ongoing uncertainties in relation to CV-19 related expenditure, future funding settlements and business rate retention means that it is increasingly difficult to forecast our income and expenditure in the short to medium term.

Care Provider Support

We have been providing significant support to our care sector throughout this emergency and as part of that support we have also been providing financial assistance to care providers, including care homes. Out of around 760 care providers in our area, we have been providing direct financial assistance to around 370 of them valued at £7.2m, however, some elements of this support has now been overtaken by the new Infection Control Fund from central Government.

Community Fund

Through the LRF, we help set up a Lancashire community fund, to help those most in need across the county. We have contributed £170,000 on behalf of ourselves and our district councils to the fund. The overall fund stands at £510,000 with a target of £1m.

Working in partnership with the National Emergencies Trust and Lancashire Resilience Forum, the Community Foundation for Lancashire is managing all donations received and will be ramping up their activity in the coming days.

The fund is awarding grants to support community organisations providing vital services like foodbanks, delivery of food and care packages, telephone and online services offering friendship and support to help reduce isolation, emotional and mental health support and financial inclusion, support to access benefits and debt advice.

Assessment of the Longer Term Disruption and Consequences Arising from the Coronavirus Pandemic

It is very clear that this emergency is unlike any other we have ever faced, and as such the move towards recovery will be a different path to any we have seen before. But what we do know is that it will be complex and phased. Some of this will be led by central Government, but we have to ensure that our voice is heard as we understand our people best.

As part of our preparations, the CMT is currently considering three key areas:

- What do we want to achieve and what will a full recovery look like? How can we balance the varying needs of our residents, businesses and communities to ensure we are supporting their financial, physical and mental wellbeing?
- What are the positives we have gained in this emergency that we want to secure? We have made significant changes to how we go about our business, and there has been some excellent innovation and practice that we need to capture and build on as we move back to whatever normality will look like in the future.
- What are the triggers for transition and recovery? How will we identify when to move into different phases of this journey? What will different services need to look at to indicate a change is needed? What warning signs will we need to be aware of to ensure we remain on track?

We have a key role to play in the coming months as we really begin to understand the implications of coronavirus and how it will affect the day-to-day lives of our citizens. We will be at the heart of building a stronger, healthier and more prosperous Lancashire for our residents and businesses.

Senior officers are already working on the implications and logistics associated with moving from crisis to recovery within their respective service areas. We have established CV-19 Corporate Recovery Group and a senior working group to examine all of the issues around safety in the workplace as we move towards opening our buildings and reopening our services. The group has produced guidance and risk assessments in consultation with staff and trade unions to ensure social distancing in the workplace and that we maintain a safe work environment. The group is looking at wider issues than just having workplaces reopened and is considering all aspects of safe working as we start to move towards the new normal. This includes support for routinely working remotely from home and other locations.

More recently, the Chief Executive & Director of Resources has become chair of the LRF as we have move out of crisis to recovery.

Conclusion

Overall, the county council has the systems and processes in place to ensure it is responding appropriately to the coronavirus crisis and that good governance has been and continues to be maintained.

Glossary

Audit, Risk & Governance Committee - The committee provides independent oversight of the adequacy of the council's governance, risk management and internal control framework, and oversees the financial reporting process.

Better Care Fund - is a programme spanning both the NHS and local government which seeks to join-up health and care services, so that people can manage their own health and wellbeing, and live independently in their communities for as long as possible.

Capital Programme - identifies agreed capital schemes, showing the total cost of schemes and the projected phasing of those schemes over current and future financial years.

Care Quality Commission – is the independent regulator of all health and social care services in England.

Constitution - sets out how the council operates, how decisions are made and the procedures which are followed to ensure that decision-making is efficient, transparent and accountable to local people.

Corporate Management Team (CMT) – is the strategic officer leadership body within the council that advise and support the elected members of the council and its key post holders and bodies, including the Cabinet and Overview and Scrutiny.

Corporate Risk Register – is a formal record of the major risks facing the county council and the mitigating actions to reduce the risk.

Directors' Assurance Statements - provide an assurance on the internal control framework operating within their service(s).

Equality Impact Assessment - is a process designed to ensure that a policy, project or scheme does not discriminate against any disadvantaged or vulnerable people.

External Audit - external auditors review financial statements to ensure they are a 'true and fair' account of past financial performance and current financial position.

General Data Protection Regulation (GDPR) – is a regulation in European Union (EU) law on data protection and privacy for all individuals within the EU and the European Economic Area (EEA).

Intermediate Care – services that provide support for a short time to help individuals recover and increase their independence.

Internal Audit - an independent, objective assurance and consulting activity designed to add value and improve the county councils operations.

LRF (Local Resilience Forum) - are multi-agency partnerships made up of representatives from local public services, including the emergency services, local authorities, the NHS, the Environment Agency and others.

Medium Term Financial Strategy - is the council's key financial planning document. It aims to provide the council with an assurance that the council's spending plans are affordable over the medium term.

Monitoring Officer - has the specific duty to ensure that the council, its officers, and its Elected councillors, maintain the highest standards of conduct in all they do.

Ofsted - is the Office for Standards in Education, Children's Services and Skills. They inspect services providing education and skills for learners of all ages.

Passport to Independence - its aim is to help people stay healthy and self-sufficient (independent) for longer.

Performance Management – is the activity and set of processes that aim to maintain and improve performance in line with an organisation's objectives.

Reserves – liquid assets in order to meet expected future payments and/or emergency needs.

Risk Management - is an important part of both corporate governance and performance management. It allows the council to avoid problems and failures, rather than just reacting to them when they arise. It helps the council to identify where it needs to focus its efforts and resources, to exploit more opportunities and suffer fewer failures.

S151 Officer - an officer appointed under section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs

Scheme of delegation - sets out how the Cabinet and full council have delegated their executive and non-executive powers.

Code of Corporate Governance 2020/21

What is Corporate Governance?

Corporate governance is about the systems, processes and values by which councils operate and by which they engage with, and are held accountable to, their communities and stakeholders.

Lancashire county council is committed to the principles of effective corporate governance and has therefore adopted a Code of Corporate Governance which follows the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SoLACE), entitled "Delivering Good Governance in Local Government (2016)"

The guidance defines the seven core principles, each supported by sub-principles that should underpin the governance framework of a local authority.

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the council's capacity, including the capability of its leadership and the individuals within it.

- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

What are the Benefits of Having a Code of Corporate Governance?

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. It enables the council to pursue its priorities effectively as well as underpinning those priorities with mechanisms for control and the management of risk.

Lancashire County Council has a good governance framework in place. The documents and arrangements which comprise the framework demonstrate that the council continually seeks to ensure it is and remains, well governed, through integration of the core principles of the CIPFA/SoLACE framework into all aspects of the council's conduct and operation.

The Monitoring Officer is responsible for ensuring the Code is reviewed annually, and the outcome of the review, along with adoption of any revision to the Code is reported annually to the Audit, Risk and Governance committee. It is then presented to Full council for approval.

Lancashire county council Code of Corporate Governance (Principle 1)

Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law:		
Supporting Principles	To meet the requirements of this Principle, Lancashire county council will;	This will be evidenced by:
<ul style="list-style-type: none"> • Behaving with integrity • Demonstrating strong commitment to ethical values • Respecting the rule of law 	<ul style="list-style-type: none"> • Maintain shared values both for the county council and its officers. These are defined in the corporate strategy and reflect public expectations about the conduct and behaviour of individuals. • Use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the county council. We demonstrate this by adherence to the constitution. • Have adopted formal codes of conduct defining standards of personal behaviour for members and officers. • Maintain the Audit, Risk and Governance Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the county council’s culture. • Have put in place arrangements to ensure that members and staff of the county council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies. • Ensure that systems and processes for financial administration and control together with protection of the county council’s resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness. 	<ul style="list-style-type: none"> • Our values <ul style="list-style-type: none"> ○ Supportive ○ Innovative ○ Respectful ○ Collaborative • Corporate Strategy • Annual Governance Statement • The Constitution which includes : • Financial Procedure Rules • Contract Procedure Rules • Anti-Fraud and Corruption Strategy • Anti-Bribery Policy • Rules relating to members External Interests • Rules relating to Gifts and Hospitality • Codes of Conduct for members and Employees • Scheme of Delegation • Procedural Standing Orders • Register of Interests • Terms of Reference • Information Security Policy • Information Governance Policy • Money Laundering Policy • Whistleblowing Policy • External inspections of accounts • members induction • Complaints Policy

	<ul style="list-style-type: none"> • Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate. Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities. • Officers will observe all specific legislative requirements placed upon the council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making. • Have put in place effective systems to protect the rights of staff. We ensure that policies for whistle-blowing which are accessible to staff and those contracting with the council, and arrangements for the support of whistle-blowers, are in place. • Have established a Corporate Information Governance Group (CIGG) with the remit of collecting assurance information across all council functions. Establish a Senior Information Risk Officer and Data Protection Officer. • Publish an Annual Governance Statement, signed by the Leader of the council and the Chief Executive and Director of Resources to confirm that we are satisfied that we have effective governance arrangements in place. 	<ul style="list-style-type: none"> • Partnership Protocol • Job descriptions and Person Specifications • Clearance of committee reports • Anti-Money Laundering Policy • Calendar of meetings • CCTV Policy • Companies – compliance with Companies Act 2006, directors duties, LEP assurance framework • Councillor – Use of resources, social media, Acceptable Use Policy • Employee policies & procedures • Freedom of Information (FOI) Publication Scheme • Grants rules, process, decisions and website • Pre-election guidance • Elections complaints process, fly posting, website • Identifying politically restricted posts • Local Resilience Forum Agreement (LRF) (CV-19) • Structures to reflect LRF response to CV-19 • Revised decision making arrangements (CV-19) and virtual Cabinet and committee meetings • LRF accountable body • Service response to CV-19 pandemic (see Annual Governance Statement 2019/20) • Virtual Cabinet, committee and Full council meetings
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Lancashire county council Code of Corporate Governance (Principle 2)

Principle 2: Ensuring openness and comprehensive stakeholder engagement:		
Supporting Principles	To meet the requirements of this Principle, Lancashire county council will;	This will be evidenced by:
<ul style="list-style-type: none"> • Openness • Engaging comprehensively with institutional stakeholders • Engaging with individual citizens and service users effectively 	<ul style="list-style-type: none"> • Ensure that the council’s vision, strategic plans, priorities and targets are developed in consultation and that they are clearly articulated and disseminated. • Maintain a culture of accountability so that members and officers understand to whom they are accountable and for what. • Strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands. • Publish reports giving information on the county council’s strategies, plans and financial statements as well as information about outcomes, achievements. • Deliver effective scrutiny of the county council’s business as appropriate and produce regular reports on the activities of the scrutiny function. • Ensure that the council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. 	<ul style="list-style-type: none"> • Corporate Strategy • Annual Governance Statement • Getting to Good Plan • Special Educational Needs and Disabilities Improvement Plan • The Care, Support and Wellbeing of Adults in Lancashire Vision • The Housing with Care Strategy • Annual report on members allowances • Annual Pay Policy Statement • Freedom of Information Publication Scheme • Research and Consultation Strategy • Research and Consultation Database • Service specific consultations • Living in Lancashire Panel • Communication Strategy • Constitution • Scheme of Delegation • Money Matters Budget reports • Lancashire Health & Wellbeing Strategy • Community Safety Agreement • Director of Public Health Annual Report • Draft Children's Partnership Plan • Statement of Accounts • Scrutiny reports

	<ul style="list-style-type: none">• Attempt to publish all committee agenda items under “part I” unless there is the need to preserve confidentiality (where it is proper and appropriate to do so).	<ul style="list-style-type: none">• County council website• Joint Strategic Needs Assessment• Strategic Assessment of Crime & Anti-Social behaviour• Anti-Bribery Policy• Anti-Fraud & Corruption Strategy• Anti-Money Laundering Policy• Calendar of meetings• Companies - Companies database, Companies House database, Compliance with the Companies Act 2006, Directors duties, LCDL - 2018/19 Statement of Accounts, LEP Assurance Framework, LEP website• Employee policies and procedures• Equalities, Cohesion and Integration Strategy• Equality Impact Analysis• External inspections of accounts• Grants rules, process, decisions and website• Health and safety policies and procedures• Information Governance Framework 2020• Information Security Policy 2020• Information Sharing Policy 2020 Partnership Protocol• Privacy Impact Analysis• Privacy Notice 2020• Procedure for complaints against councillors• Publication of members' allowances paid 19/20• Privacy impact analysis• Scheme for access of information• Local Resilience Forum Agreement (CV-19)• Structures to reflect LRF response to CV-19• Service response to CV-19 pandemic (see Annual Governance Statement 2019/20)
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Lancashire county council Code of Corporate Governance (Principle 3)

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits:		
Supporting Principles	To meet the requirements of this Principle, Lancashire county council will;	This will be evidenced by:
<ul style="list-style-type: none"> Defining outcomes Defining outcomes benefits 	<ul style="list-style-type: none"> Make a clear statement of the council’s purpose and priorities and use it as a basis for corporate and service planning. Publish reports to communicate the council’s activities and achievements, its financial position and performance. Ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications. Identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. Maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved. Ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management. 	<ul style="list-style-type: none"> Corporate Strategy Getting to Good Plan Special Educational Needs and Disabilities Improvement Plan The Care, Support and Wellbeing of Adults in Lancashire Vision The Housing with Care Strategy Money Matters Budget reports Director of Public Health Annual Report reports to Audit, Risk & Governance Committee Quality of service reports Performance reports to Cabinet Committee on Performance Improvement Monthly budget monitoring reports Statement of Accounts External Auditors letter & reports External inspections Approach to risk & opportunity Treasury Management Strategy Capital Investment Strategy Adult Services Annual Plan Boost Lancashire's Business Growth Hub Care Act Policies, Procedures and Guidance Children's Social Care Community & Resilience Plan Companies - annual business plans Consultancy Code

		<ul style="list-style-type: none">• Consultation and Engagement Procedures• Corporate Procurement Strategy, policies and guidance• Customer Access Strategy• Development Plan• Digital by Default Strategy• Equalities, Cohesion and Integration Strategy• Full Council framework documents• Health and Wellbeing Strategy Delivery Plan• Lancashire Children Looked After (CLA) Sufficiency Strategy 2017- 2020• Lancashire CLA Residential Strategy• Lancashire County Council Dementia Strategy• Lancashire Economic Development Strategy• Lancashire Economic Partnership (LEP)• Lancashire Environment Strategy• Lancashire Health and Wellbeing Strategy• Libraries, Museums And Culture Strategy• Local Transport Plan• Notice of forthcoming Executive Key Decisions (Forward Plan) and intention to conduct business in private• Prevent Strategy and Delivery Plan• Property Asset Management Strategy• Risk Management Strategy• Roads, parking and travel plans• Treasury Management Strategy• Youth Justice Plan• Digital First Strategy• Adult Social Care Winter Plan• Strategy for Libraries, Museums, Culture and Archives 2019-24• Capital Strategy for Schools 2019-20• Service response to CV-19 pandemic (see Annual Governance Statement 2019/20)
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Lancashire county council Code of Corporate Governance (Principle 4)

Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes		
Supporting Principles	To meet the requirements of this Principle, Lancashire county council will;	This will be evidenced by:
<ul style="list-style-type: none"> • Determining interventions. • Planning interventions • Optimising achievement of intended outcomes 	<ul style="list-style-type: none"> • Make a clear statement of the council’s purpose and priorities and use it as a basis for corporate and service planning. • Have risk management arrangements in place including mitigating actions to support the achievement of the council’s intended outcomes. • Ensure that there are effective arrangements in place to monitor service delivery • Put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents. • Have prepared contingency arrangements including a Disaster Recovery Plan, Business Continuity Plan and arrangements for delivering services during adverse weather conditions. • Provide senior managers and members with timely financial and performance information. • Ensure that budget calculations are robust and reserves are adequate. • Align financial and performance data to provide an overall understanding of performance. 	<ul style="list-style-type: none"> • Corporate Strategy • Getting to Good Plan • Special Educational Needs and Disabilities Improvement Plan • The Care, Support and Wellbeing of Adults in Lancashire Vision • The Housing with Care Strategy • Our approach to risk & opportunity management • Corporate Risk & Opportunity Register • Corporate & service performance dashboards • Highlight reports • Business Continuity Plans • Emergency Plan • Money Matters Budget reports • Social Value policy & Framework • Anti-Fraud & Corruption Strategy • Committee specific training for scrutiny members • Companies - Articles of Association, directors duties, LEP Assurance Framework, service level agreements • Education Scrutiny Committee • External Scrutiny Committee • Health and Wellbeing Strategy Delivery Plan • Health Scrutiny Committee • Internal Scrutiny Committee • Scrutiny Task Group meetings/reports • Webcast of all Scrutiny Committee meetings • Service response to CV-19 pandemic (see Annual Governance Statement 2019/20)

Lancashire county council Code of Corporate Governance (Principle 5)

Principle 5: Developing the county council's capacity, including the capability of its leadership and the individuals within it.		
Supporting Principles	To meet the requirements of this Principle, Lancashire county council will;	This will be evidenced by:
<ul style="list-style-type: none"> • Developing the county council's capacity • Developing the capability of the county council's leadership and other individuals 	<ul style="list-style-type: none"> • Through the constitution set out a clear statement of the respective roles and responsibilities of the council's Executive Committee and the members individually. • Set out a clear statement of the respective roles and responsibilities of the council's other committees and senior officers. • Have developed protocols to ensure effective communication between council members and officers in their respective roles. • Have developed protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained. • Set out the terms and conditions for remuneration of members and officers and publish an Annual Pay Policy Statement in accordance with the requirements of the Localism Act 2011. • Have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required. • Ensure that effective management arrangements are in place at the top of the organisation. • Ensure the Chief Executive is responsible and accountable to the council for all aspects of operational management. • Ensure the Section 151 Officer is responsible to the county council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. • Have appointed a professionally qualified and experienced Director of Finance who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the county council 	<ul style="list-style-type: none"> • Constitution • Annual Pay Policy • Scheme of Delegation • Leadership Development Programme • Performance Engagement Reviews • Member Development Strategy and Programme • Member Induction Working Group • Getting to Good Plan • Special Educational Needs and Disabilities Improvement Plan • Scheme of delegation to officers • Induction programme • Health & Wellbeing Policy • Children's Partnership Board - Terms of Reference • Code of conduct training for councillors • Companies - Articles of Association, directors duties, directors induction packs, directors induction training, internal controls manuals • Corporate induction e-learning

	<ul style="list-style-type: none"> • Ensure the Monitoring Officer is responsible to the county council for ensuring that the constitution is adhered to. • Assess the skills required by members including the understanding of financial systems. We will agree a personal development Plan to develop skills and address any training gaps, to enable roles to be carried out effectively. • We will assess the skills required by officers through the performance engagement process and address any training gaps, to enable roles to be carried out effectively. • We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed. • We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the council. • We provide the Director of Finance with the resources, expertise and systems necessary to perform the role effectively within the county council. • We will provide the Executive Director Education & Children's Services with the resources, expertise and systems necessary to perform the role effectively within the council and respond to the last Ofsted & Special Educational Needs & Disability inspections. 	<ul style="list-style-type: none"> • Councillors - internet and email Acceptable Use Policy, provision and use of resources, Use of social media, Fair Use Policy for Mobile Phones • County councillor training records • Generic job descriptions/specifications for officers • Internet, Email and Telephone Acceptable Use policy for staff • Lancashire County Council Behaviour Framework • Leadership Development Programme • Mandatory e-learning modules • Recruitment & Selection Policy • Local Resilience Forum Agreement (LRF) (CV-19) • Structures to reflect LRF response to CV-19 • Revised decision making arrangements (CV-19) and virtual Cabinet and committee meetings • LRF accountable body • Service response to CV-19 pandemic (see Annual Governance Statement 2019/20) • Our Journey organisational development programme
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Lancashire county council Code of Corporate Governance (Principle 6)

Principle 6: Managing risks and performance through robust internal control and strong public financial management.		
Supporting Principles	To meet the requirements of this Principle, Lancashire county council will;	This will be evidenced by:
<ul style="list-style-type: none"> • Managing risk • Managing performance • Robust internal control. • Managing data. • Strong public financial management 	<ul style="list-style-type: none"> • Maintain an effective Audit, Risk & Governance Committee which is independent of the executive and scrutiny functions. • Enable the Director of Finance to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained. • Ensure that risk management is embedded into the culture of the county council, with members and managers at all levels recognising that risk management is part of their job. • Ensure our arrangements for financial and internal control and management of risk are formally addressed within the annual governance reports. • Ensure effective internal control arrangements exist for sound financial management systems and processes. • Ensure that a Corporate Performance Summary is presented to the Cabinet Committee for Performance Improvement (CCPI) on a quarterly basis • Ensure that quarterly performance reports are produced and used to hold Cabinet Members and officers to account 	<ul style="list-style-type: none"> • Audit, Risk & Governance Committee • Money Matters Budget reports • Approach to risk management and publication of a quarterly Corporate Risk & Opportunity Register • Annual Governance Statement • Performance reports presented to CCPI • Internal audit reports • Project accuracy • Overview & scrutiny arrangements • Information Governance Strategy • Data Protection Policy • Companies - account filed in accordance with all regulations, Companies House Database, LEP performance committee, own audit & finance committees e.g. active companies, quarterly monitoring reports, regular financial monitoring reports, risk management reports • Audit, Risk & Governance Committee - Terms of Reference • External auditors letter & reports • Internal Audit Plan 2020/2021 • Internal audit reports • Lancashire County Pension Fund - Annual Governance Statement

		<ul style="list-style-type: none">• Peer reviews• Local Code of Corporate Governance• External reports protocol• Directors Assurance Statement• Project plans and risk registers• Health and Wellbeing Board revised Terms of Reference• Health and Wellbeing Strategy Delivery Plan• Lancashire Insight website• Medium Term Financial Plan• Minutes of committee meetings• Monthly budget monitoring reports• Notice of forthcoming Executive Key Decisions (Forward Plan) and intention to conduct business in private• Partnership protocol• Performance management• Quarterly performance highlight reports• Statement of Accounts 2019/2020• Treasury Management Strategy• Webcasting of committee meetings• Public Bond issue• CV-19 weekly Risk situation reports• CV-19 Scenario planning and recovery plans• Service response to CV-19 pandemic (see Annual Governance Statement 2019/20)
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Lancashire county council Code of Corporate Governance (Principle 7)

Principle 7: Implementing good practices in transparency, reporting and audit to deliver effective accountability		
Supporting Principles	To meet the requirements of this Principle, Lancashire county council will;	This will be evidenced by:
<ul style="list-style-type: none"> • Implementing good practice in transparency • Implementing good practices in reporting • Assurance and effective accountability 	<ul style="list-style-type: none"> • Comply with the local government transparency code and publish all required information in a timely manner. • Have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review. • Put in place effective transparent and accessible arrangements for dealing with complaints. • Maintain an effective scrutiny function which encourages constructive challenge and enhances the council's performance overall. • Maintain an effective Audit, Risk & Governance Committee which is independent of the Executive and Scrutiny committees. • Ensure an effective internal audit function is resourced and maintained. • Maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based. • Attempt to publish all committee agenda items under "part I" unless there is the need to preserve confidentiality where it is proper and appropriate to do so • Put in place arrangements for whistleblowing to which staff and all those contracting with the county council have access. • Produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the council. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Complaints Procedures • Scrutiny committees • Audit, Risk & Governance Committee • Constitution • Modern.Gov • Whistleblowing Policy • Monthly budget monitoring reports • Annual Pay Policy • Statement of Accounts • External Audit reports • Annual Governance Statement • Approach to risk management & publication of a quarterly Risk & Opportunity Register • Companies - Companies House database, Lancashire County Developments Limited (LCDL) - 2019/20 Statement of Accounts, LEP Assurance Framework, own audit & finance committees e.g. active companies • Data Protection Policy • External inspections e.g. Ofsted • External inspections of accounts • Information Governance Framework • Internal Audit Plan

	<ul style="list-style-type: none"> • Maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy Statement in accordance with the requirements of the Localism Act 2011. • Publish annually details of county councillors remuneration and expenses 	<ul style="list-style-type: none"> • Internal Audit reports • Money Matters Budget reports • Overview & Scrutiny arrangements • Performance reports • Project accuracy • Service response to CV-19 pandemic (see Annual Governance Statement 2019/20) • Virtual Cabinet, committee and Full council meetings
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Audit, Risk and Governance Committee

Meeting to be held on Monday, 27 July 2020

Electoral Division affected: (All Divisions);
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Chairman's Annual Report 2019/20

Appendix A refers

Contact for further information:

Paul Bond, Tel: (01772) 534676, Head of Legal & Democratic Services,
paul.bond@lancashire.gov.uk

Executive Summary

Previously the committee agreed to receive and consider an annual report so it can review the work it has completed and assess its effectiveness.

The third Annual Report is set out at Appendix A.

Recommendation

The committee is asked to comment on and note the Chairman's Annual Report.

Background and Advice

Previously the committee agreed a number of actions to enhance its effectiveness as an element of the Council's governance framework. One of the actions agreed was that the committee should prepare an annual report of its activity to facilitate assessments of its effectiveness.

The third Annual Report is set out at Appendix A.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Good governance enables an authority to pursue its priorities effectively as well as underpinning those priorities with sound arrangements for control and management of risk. An Authority must ensure that it has a sound system of internal control which

includes effective arrangements. The annual report provides a means by which the committee can review its own effectiveness.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

Annual Report 2019/20

Audit, Risk and Governance Committee

Lancashire County Council



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Chairman's Introduction

As the Chairman of the Audit, Risk and Governance Committee I am very pleased to present the third annual report which sets out the role of the Audit, Risk & Governance Committee, and summarises the work we have undertaken during the financial year 2019/20.

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. In particular I should like to thank the Internal Audit and the External Audit teams.

I should like to take this opportunity to give my personal thanks to all the officers, my Deputy Chairman, County Councillor Edward Nash 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 & 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.
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 annual financial accounts 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 defined within the Council's Constitution via the committee's Terms of Reference and are agreed each year at the first committee meeting following Full Council's Annual General Meeting.

Key Activities

In this section the activities of the committee during 2019/20, are summarised under the headings of the key functions.

Internal Control

The Audit, Risk & Governance Committee approved the Annual Governance Statement (AGS) for 2018/19 in May 2019 for inclusion in the draft Statement of Accounts. This included actions for 2019/20, within the following areas, to improve existing governance arrangements:

- Reshaping the County Council
- Getting to Good (Children's Social Care)
- Managing major projects
- Response to Special Educational Needs and Disability inspection
- Future provision of ICT services
- Recruitment & Retention
- Core systems and data
- Intermediate care for older people in a residential setting
- Supporting disadvantaged families to fulfil their potential

The committee actively monitors progress through the Corporate Risk and Opportunity Register and specific reports.

The committee received and considered updates in the following areas:

- Neighbourhood Wellbeing Grants
- Code of Conduct – Summary of Complaints
- Update Report: Outstanding Actions from 2017/18 Audit work, Adults and Children's Services

Neighbourhood Wellbeing Grants - It was reported to Audit, Risk & Governance Committee in May 2019 that there had now been some contact with all recipients of the grant apart from one who had received £1,000 (this recipient had since ceased operations). Contact had also been made with an additional 2 organisations and the requested paperwork was anticipated (now received). Partial monitoring information had been received for a further 5 organisations. In total this equated to less than 3% of the grant funding issued. An update was provided on the progress of the remaining groups to members of the committee outside of the committee meeting.

Code of Conduct – in January 2020, the Director of Corporate Services and Monitoring Officer presented a report detailing a summary of all complaints received in 2019 against county councillors under the Code of Conduct. Terry Whitehead and Keith Leaver, Lancashire County Council appointed 'independent persons', who advise the Conduct Committee when required, were introduced to the committee. It was agreed that the Audit, Risk and Governance Committee would receive an annual report and where a complaint had been resolved informally, the independent persons would be contacted to ascertain their views on the decision.

Outstanding actions from 2017/18 Audit Work – In January 2020, The Director of Adult Social Care Transformation and the Director of Education and Skills presented an update regarding progress made toward the following outstanding actions from 2017/18 internal audits:

- Transition from children's to adult services
- Personal budgets for children's service users and direct payments to their carers
- Case management of adult occupational therapy services

Members commented that this report was in response to a request for information regarding outstanding internal audit actions from 2017/18. Members emphasised that all directorates needed to be aware that the committee required swift responses to audit actions. Officers commented that they could attend the Audit, Risk and Governance meeting when required to provide future updates.

The committee receives regular progress reports from the Head of Internal Audit, including the summaries of the outcome of Internal Audit work.

In May 2019, the committee approved an updated Local Code of Corporate Governance and recommended its adoption to Full Council.

Risk Management

The committee has continued to receive quarterly updates from the Head of Legal and Democratic Services on the Corporate Risk & Opportunity register. The register is signed off by the Corporate Management Team and is then presented to the Cabinet Committee on Performance Improvement before it is presented to this committee. The reports reviewed have demonstrated good progress in the alignment between risk and performance reporting and the link to key issues identified in the Annual Governance Statement.

An Internal Audit review gave substantial assurance over the over the process by which the corporate register is prepared.

A review of the Risk Management process was undertaken in 2019/20 and a pilot undertaken in Education & Children's Services. The proposed changes involved producing a directorate level risk register, the introduction of targets and a summary risk profile. Unfortunately, the changes have not been implemented due to our response to Covid-19. However, once we have moved to the recovery stage, the changes will be applied and reported to committee.

Training on risk management and governance was delivered as part of the training session on 'Effective Audit, Risk & Governance Committees' in June 2019.

Internal Audit

In May 2019 the committee agreed the Internal Audit Plan 2019/20, which provides members with the opportunity to challenge and influence the plan where they have identified areas of concern.

The regular update reports of the Head of Internal Audit to the Audit, Risk and Governance Committee have enabled emerging issues arising from Internal Audit activity to be considered on a timely basis, including where appropriate working with the senior officers to seek assurance that matters are being dealt with promptly and effectively.

The Internal Audit Annual Report 2018/19 was presented to the committee in May 2019. The report summarised the work undertaken by the Internal Audit Service and the key themes arising in relation to internal control, governance and risk management across the County Council. The Head of Internal Audit is required to provide an independent opinion on the council's governance, risk management and control frameworks and therefore the extent to which the council can rely on them. Audit work had progressed well against an ambitious plan and 80% of the work completed by the year end has yielded favourable assurance over the design and operation of the services, systems and processes audited.

As a result, the Head of Internal Audit's overall opinion as set out in the Annual Report is that **moderate** assurance can now be given regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control for 2018/19.

As the Chairman of the committee, I have met with the Head of Internal Audit without other officers present, and I am satisfied Internal Audit are free to carry out their duties without restrictions.

External Audit

The council's external auditors, Grant Thornton LLP, attended all the committee meetings during 2019/20, providing regular updates on their work plan and any matters arising. In addition they have provided the committee with sector updates for consideration that highlight key themes, issues and priorities for local government. These have been well received and are very helpful to the committee. The committee received and reviewed the External Audit Annual Letter.

Counter Fraud and Corruption

The committee receives regular updates from the Head of Internal Audit on any reported matters of suspected fraud, including investigations. Outcomes of investigations are reported to and monitored by the committee.

In May 2019, we received a report on Whistleblowing, Special Investigations and Counter Fraud from the Head of Internal Audit, that highlighted there have been very few cases. Whilst it is not unexpected, there is very little fraud identified. Nationally statistics show that fraud is on the increase, so it is important that we all remain vigilant.

Annual Accounts Process

The 2018/19 Accounts were prepared on time and presented to the committee for comment. We received the External Auditor's report in July 2019 when it was very

pleasing to note that high standards had been maintained. The External Auditor concluded that the council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

A dedicated session on the draft Statement of Accounts was held for the committee.

Work Plan 2019/20

In July 2019, the committee agreed its work plan for 2019/20. The plan set out the standard reports which are expected to be brought to the committee during the course of the municipal year.

It was expected that during the course of the year, the committee would also identify other areas and issues to consider as appropriate. A list of those reports are set out on page 5 of this report.

Treasury Management

The committee receives reports on Treasury Management throughout the year, exercising its stewardship role. The committee considered the:

- Review of Treasury Management Activity 2018/19
- Lancashire County Council Treasury Management Investment Policy
- Treasury Management Activity 2019/20 Update
- Treasury Management Policy and Strategy 2019/20

A training session for the committee has been held on Treasury Management.

Governance

The committee agreed the Annual Governance Statement 2018/19 that explained how the County Council had complied with the Local Code of Corporate Governance. The committee reviewed the Local Code of Corporate Governance in May 2019 and recommended it to Full Council for approval.

The committee has not received any reports in respect of investigations into allegations of misconduct under the members' Code of Conduct. The committee has not granted any dispensations from requirements relating to interests as set out in the Code of Conduct for members.

Membership, Meetings & Attendance

Audit, Risk and Governance Committee

The Audit, Risk and Governance Committee comprises eight elected members representing the two main political parties.

Officers

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

In 2019/20 the Chief Executive and S151 Officer, Director of Finance, Director of Corporate Services (& Monitoring Officer), Head of Legal and Democratic Services (& Deputy Monitoring Officer), Head of Internal Audit and Head of Corporate Finance routinely attended the meetings.

Meetings

The Audit, Risk and Governance Committee met five times in 2019/20. A work programme is agreed by the Audit, Risk & Governance Committee. The programme is reviewed when setting the agenda for each meeting and added to when appropriate to ensure ad-hoc requests instigated by the committee are reported.

Audit, Risk and Governance Committee

Meeting to be held on Monday, 27 July 2020

Electoral Division affected: N/A;

Draft Work Plan 2020/21

Appendix A refers

Contact for further information:

Debra Jones, Tel: 01772 537996, Democratic Services Officer,

Debra.Jones@lancashire.gov.uk

Executive Summary

The draft work plan for the committee for 2020/21.

Recommendation

The committee is asked to consider and note the draft work plan for 2020/21, as set out at Appendix A.

Background and Advice

Appendix A sets out a draft work plan for the committee for the 2020/21 municipal year. The work plan sets out standard reports which are expected to be brought to the committee during the course of 2020/21 from the following service areas:

- Internal Audit
- Legal and Democratic Services
- Corporate Finance
- External Audit - Grant Thornton LLP

It is expected that, during the course of the year, the committee will also identify other areas and issues for consideration as appropriate.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A

Audit, Risk and Governance Committee - Work Plan 2020/21

Meeting	Internal Audit Ruth Lowry	Legal and Democratic Services Paul Bond	Corporate Finance Khadija Saeed/Neil Kissock	Grant Thornton LLP Robin Baker and Angela Pieri
27 July 2020	<ul style="list-style-type: none"> - Internal Audit Annual Report 2019/20 - Internal Audit Plan 2020/21 - Counter Fraud, Special Investigations and Whistleblowing Annual Report 	<ul style="list-style-type: none"> - Chairman's Annual Report - Draft Work Plan 2020/21 - The Council's Annual Governance Statement 2019/20 & Code of Corporate Governance 		<ul style="list-style-type: none"> - External Audit - Lancashire County Council Audit Plan 2019/20 - External Audit: Lancashire County Pension Fund Audit Plan 2019/20
19 October 2020		<ul style="list-style-type: none"> - Committee Constitution, Terms of Reference and Membership 2020/21 - Corporate Risk and Opportunity Register - Adult and Children's Service officers: update on progress made against areas with limited assurance. 	<ul style="list-style-type: none"> - Approval of the Council's Statement of Accounts 2019/20 - Treasury Management Activity 2019/20 Outturn 	<ul style="list-style-type: none"> - External Audit - Lancashire County Council Audit Findings Report 2019/20 - External Audit - Lancashire County Pension Fund Audit Findings Report 2019/20 - External Audit: Audit Progress Report and Sector Update 2020/21
25 January 2021	<ul style="list-style-type: none"> - Internal Audit Progress Report 	<ul style="list-style-type: none"> - Corporate Risk and Opportunity Register - Code of Conduct – Summary of Complaints 	<ul style="list-style-type: none"> - Accounting Policies used in the Preparation of the Statement of Accounts 2020/21 - Treasury Management Activity 2020/21 	<ul style="list-style-type: none"> - External Audit: Annual Audit Letter for Lancashire County Council and Lancashire County Pension Fund 2019/20

Audit, Risk and Governance Committee - Work Plan 2020/21

Meeting	Internal Audit Ruth Lowry	Legal and Democratic Services Paul Bond	Corporate Finance Khadija Saeed/Neil Kissock	Grant Thornton LLP Robin Baker and Angela Pieri
			<ul style="list-style-type: none"> - Treasury Management Strategy and Investment Strategy 2021/22 	<ul style="list-style-type: none"> - External Audit Progress Report and Sector Update 2020/21 - Grant Thornton's request for information from the Committee Chair - Grant Thornton's request for information from management -
26 April 2021	<ul style="list-style-type: none"> - Internal Audit Annual Report - Internal Audit Annual Plan - Internal Audit Charter (if amendments are required) 	<ul style="list-style-type: none"> - Corporate Risk and Opportunity Register - Draft Annual Governance Statement 2018/19 - Code of Corporate Governance 	<ul style="list-style-type: none"> - Response from those charged with Governance (Management) - Response from those charged with Governance (Committee Chair) 	<ul style="list-style-type: none"> - External Audit - Lancashire County Council Audit Plan 2020/21 - External Audit: Lancashire County Pension Fund Audit Plan 2020/21 - Grant Thornton Fee Letter for Lancashire County Council and Lancashire County Pension Fund 2020/21 - External Audit Progress Report 20/21 and Sector Update

Agenda Item 14

(NOT FOR PUBLICATION: By virtue of paragraph(s) 2,3,7 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 2,3,7 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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