

Lancashire County Council

Audit, Risk and Governance Committee

**Minutes of the Meeting held on Monday, 22nd April, 2024 at 2.00 pm in
Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

Present:

County Councillor Alan Schofield (Chair)

County Councillors

N Aziz

M Salter

J Berry

J Shedwick

M Clifford

J R Singleton JP

A Gardiner

County Councillors Andrew Gardiner and Matthew Salter replaced County Councillors Jeff Couperthwaite and Charlie Edwards at this meeting.

1. Apologies

None.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None.

3. Minutes of the Meeting held on 29 January 2024

Resolved: That the minutes of the Audit, Risk and Governance Committee meeting held on 29 January 2024 be confirmed as an accurate record, subject to the third bullet point under Item 11 being amended as follows:

"There were no concerning patterns relating to complaints against county councillors, and in most cases the subject councillors were quick to apologise where appropriate."

Subsequently, in relation to Item 11 of the previous meeting's minutes, Josh Mynott, Head of Democratic Services clarified that two complaints received during 2023 had been about the same councillor. However, the statement that there were no concerning patterns relating to complaints remained correct.

4. Updated Terms of Reference

The committee considered its updated terms of reference, following Full Council's approval of a new Constitution for Lancashire County Council on 14 March 2024.

It was requested that a report on the basis for and process to appoint an independent, co-opted member to the committee's membership be presented at the next meeting, including a review of the committee's terms of reference in relation to the recently published "ten questions for audit committees" by the Local Government Association.

It was noted that the person(s) co-opted would need to have suitable background and expertise to support the committee's work. At other authorities, similar roles were often held by former auditors.

Resolved: That

- i) The Audit, Risk and Governance Committee's updated terms of reference be noted; and
- ii) A report on the process to appoint at least one independent, non-voting co-opted member, in line with the updated terms of reference, be provided at the next Audit, Risk and Governance Committee meeting on 22 July 2024.

5. The Council's Statement of Accounts for 2022/23 and Letters of Representation

Khadija Saeed, Head of Corporate Finance and Exchequer Services presented the council's updated statement of accounts for 2022/23 and the letters of representation from those charged with governance for Lancashire County Council and Lancashire County Pension Fund.

It was highlighted that any further material changes to the statement of accounts arising from the external auditor's work would be reported to the committee.

Resolved: That

- i) The council's statement of accounts for 2022/23 be approved;
- ii) The Executive Director of Resources (Chief Finance Officer) be authorised to approve any subsequent changes and, in consultation with the Chair of the Audit, Risk and Governance Committee, authorised to approve material changes to the statement of accounts for 2022/23; and
- iii) The management representation letters for Lancashire County Council and Lancashire County Pension Fund be signed by the Executive Director of Resources (Chief Finance Officer) and the Chair of the Audit, Risk and Governance Committee, prior to them being made available to the external auditor.



6. External Audit - Lancashire County Council Audit Findings Report 2022/23

Stuart Basnett, Senior Audit Manager at Grant Thornton UK presented the Lancashire County Council Audit Findings Reports for 2022/23.

It was highlighted that:

- The implementation of Oracle Fusion had added challenges and time to the external auditor's work. The audit had identified deficiencies in how Oracle Fusion had been implemented and how it was running at year end.
- Some information to support the valuation of land and buildings was outstanding from the council's external valuer. The auditors were in discussion with the council's officers about how to resolve this and obtain further information to support their valuation.

In response to questions from members, it was clarified that:

- The additional work arising from the implementation of Oracle Fusion had led to an increased proposed audit fee. The final fee was subject to any further work required, discussion with the council's officers, and ultimately agreement with the council's Chief Finance Officer and Public Sector Audit Appointments (PSAA).
- In relation to the valuation of land and buildings, many of the council's assets did not have a readily available market value (for example schools and waste facilities) and therefore regulations determined how their value was calculated. The auditor reviewed and challenged these calculations to ensure the assumptions were correct.
- The auditor had identified a significant weakness in relation to the council's arrangements for implementing Oracle Fusion at the year-end for 2022/23. At that point, there were significant areas of improvement still to be addressed. Those issues were escalated and dealt with appropriately during the following year, so the 2023/24 auditor's report was expected to reflect an improved position. Remedial action had been taken since its implementation, so Oracle Fusion was now functioning. However, more work was required to identify and implement other processes so that the council reaped the full benefits of the system.
- In response to the committee's concern that the audit work had not yet been finalised, the auditor hoped to resolve the outstanding issues promptly. The timescale for the valuation of land and buildings was the biggest unknown, because it relied on the receipt of information from the council's external valuer.

The committee noted the additional challenges and delays affecting the completion of the audit and asked that the outstanding issues be prioritised and resolved in a timely manner.



Resolved: That the Lancashire County Council Audit Findings Report 2022/23 be noted.

7. External Audit - Lancashire County Pension Fund Audit Findings Report 2022/23

Stuart Basnett, Senior Audit Manager at Grant Thornton UK presented the Lancashire County Pension Fund Audit Findings Reports for 2022/23.

It was highlighted that the report and recommendations had been updated since they were presented to the Pension Fund Committee at its meeting on 8 March 2024. The additional recommendations now included were the same as in the Lancashire County Council Audit Findings Report, to demonstrate that they applied to both the Pension Fund and the council.

Resolved: That the Lancashire County Pension Fund Audit Findings Report 2022/23 be noted.

8. External Audit - Interim Auditor's Annual Report on Lancashire County Council 2022/23

Stuart Basnett, Senior Audit Manager at Grant Thornton UK presented the Interim Auditor's Annual Report on Lancashire County Council for 2022/23.

It was highlighted that:

- The report was interim because the auditor could not provide their opinion until the 2022/23 audit of the statement of accounts was finalised.
- Due to a weakness identified in the governance arrangements, a key recommendation had been provided relating to the implementation of Oracle Fusion. It was noted that since the end of 2022/23, management had responded to issues and implemented the required changes. In reviewing their report, the auditor encouraged members to consider whether they were happy with the council's response to the weaknesses identified.

In response to questions, members were informed that:

- A project board for Oracle Fusion, chaired by the Director of Digital, had been established to respond to any continuing system issues. The board's work would enable lessons learned to be applied to future digital projects.
- Oracle Fusion was used by lots of local authorities nationally, and the success of its implementation had varied depending on how complex each authority's requirements were. The council had commissioned external assessments relating to both governance and the system's technical aspects, to support the lessons learned process.



- The Head of Internal Audit's overall opinion for 2022/23 had provided limited assurance, due to Oracle Fusion's impact on the council's control environment. The interim opinion for 2023/24 had improved to moderate assurance, to reflect the fixes implemented over the last year.
- In response to Improvement Recommendation 3, a direction of travel had already been included in the latest Corporate Risk and Opportunity Register.
- Regarding Improvement Recommendation 4, discussions were ongoing about revising the Preston, South Ribble and Lancashire City Deal arrangements and at the appropriate point a decision would be taken by the Cabinet.
- Regarding Improvement Recommendation 6, a report would be provided to the committee at a future meeting date, once information was available on the KPMG report being produced about the council's internal procedures.

Regarding management's responses to the auditor's recommendations, it was requested that the response to Improvement Recommendation 1 be updated to reflect the Scrutiny Management Board's responsibility for budget scrutiny and reviewing savings proposals.

It was also requested that a further report be provided to the committee at its next meeting on the outstanding issues and work areas relating to Oracle Fusion, the progress achieved to date, and the lessons learned from its implementation and external assessment. A separate report on other proposed benefits of Oracle Fusion could be provided later in the year.

Resolved: That

- i) The Interim Auditor's Annual Report on Lancashire County Council for 2022/23 be noted; and
- ii) A further report on the implementation of Oracle Fusion, including outstanding issues and lessons learned, be provided at the next Audit, Risk and Governance Committee meeting on 22 July 2024.

9. Internal Audit Progress Report

Andy Dalecki, Head of Internal Audit presented an update on the Internal Audit Service's work and outcomes for 2023/24, for the period to 26 March 2024.

In response to questions, members were informed that:

- The outstanding management action with a 'high' risk rating related to the process to DBS (Disclose and Barring Service) check employees. It was no longer a requirement for employees working with children and vulnerable adults to undertake a DBS check every three years; however, Internal Audit had



recommended more frequent checks than were currently undertaken. The People Service was making improvements, but to respond to Internal Audit's recommendations in full could require changes to policy and process, with financial implications.

- The Head of Internal Audit worked with Democratic Services to determine when information should be included in Part II of the agenda. In the case of cyber security information, publishing Internal Audit's findings could expose the council to risk.
- New implementation dates were being agreed with any services with outstanding follow-up actions.
- A councillor had recently raised concern about the council's grant scheme to support Ukrainian refugees re-settling in Lancashire, because the monitoring arrangements were not as robust as other council grant schemes. Internal Audit had not raised any concerns relating to fraud, but the grant scheme had been paused while the relevant service and Director identified improvements to the grant conditions.

Resolved: That the Internal Audit Progress Report be noted.

10. Internal Audit Annual Plan

Andy Dalecki, Head of Internal Audit presented the Internal Audit Plan for 2024/25.

In response to questions, members were informed that:

- There was a similar number of audits on the plan, compared to the previous year, though some were larger in scope.
- The committee would continue to receive quarterly progress reports on the Internal Audit Service's work against the audit plan, including any in-year changes made to reflect emerging priorities and risks.
- Although lots of the audits listed related to compliance testing, they each related to different service areas and processes and therefore the work could not be combined.
- The planned grant audit of "Multiply" referred to a grant received from the Department for Transport. Internal Audit would assess whether the grant money had been spent in line with the grant conditions.

It was commented that residents may like to know about the value for money and efficiency of highways repairs, particularly potholes. It was requested that the Head of Internal Audit speak with Director of Highways and Transport to identify whether this area of work should be added to the annual plan, with an update reported to the next committee meeting on 22 July 2024.



Resolved: That the Internal Audit Plan for 2024/25 be approved.

11. The Council's Annual Governance Statement 2023/24 and Code of Corporate Governance 2024/25

Paul Bond, Head of Governance presented the draft Annual Governance Statement for 2023/24 and Code of Corporate Governance for 2024/25.

Resolved: That

- i) The Annual Governance Statement for 2023/24, as presented, be approved for inclusion in the council's Statement of Accounts for 2023/24;
- ii) The Director of Law and Governance be authorised to make any subsequential amendments to the Annual Governance Statement for 2023/24, in consultation with the Chair of the Audit, Risk and Governance Committee;
- iii) The signing of the Annual Governance Statement by the Chief Executive and the Leader of the Council, following final approval of the Statement of Accounts, be noted; and
- iv) The updated Code of Corporate Governance for 2024/25, as presented, be recommended to Full Council for approval.

12. Corporate Risk and Opportunity Register - Quarter 1 Update

Paul Bond, Head of Governance presented the updated Corporate Risk and Opportunity Register for Quarter 1 of 2024/25.

In response to questions, members were informed that:

- Information about when academisation was last considered as a risk or opportunity would be shared with members after the meeting.
- A different colour-coding scheme would be used for opportunities on the corporate register in future and for clarity.
- Information about the officer Compliance and Assurance Board membership and terms of reference would be shared with members after the meeting.

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

13. Local Member Grants Scheme Annual Report

Josh Mynott, Head of Democratic Services presented the Local Member Grants Scheme Annual Report covering the 2022/23 and 2023/24 financial years.



It was noted that the 2021/22 monitoring information had not been included in this annual report, as there had been no updates to the figures reported at the committee's last meeting. For the 2021/2022 financial year, 102 out of 109 organisations had supplied evidence of expenditure for the money received under the grants scheme.

In response to a question, it was clarified that sometimes councillors did not approve grant applications if they had not been approached by the organisation beforehand, or if an organisation was applying to several councillors across a wide area. A councillor's reason for not approving an application had to be shared with Democratic Services when they made their decision.

It was noted that councillors were now informed when an organisation did not provide evidence of expenditure, and that monitoring of the grants awarded under the scheme was proportionate.

It was requested that a six-monthly update report be provided at the Audit, Risk and Governance Committee meeting in October each year.

Resolved: That

- i) The Local Member Grants Scheme Annual Report be noted; and
- ii) An update report be provided at the Audit, Risk and Governance Committee meeting on 14 October 2024.

14. Annual Report on the Lancashire Culture and Sport Fund

Steve Lloyd, Libraries, Culture and Registration Services Manager and Heather Fox, Cultural Development Manager presented the Annual Report on the Lancashire Culture and Sport Fund.

Some updated monitoring and evaluation information from completed projects, an update to Appendix A, was shared with the committee at the meeting and a copy is attached to these minutes.

County Councillors Julia Berry and Mark Clifford declared a non-pecuniary interest in this item, as members/supporters of organisations who had received funding from the Lancashire Culture and Sport Fund.

In response to questions, members were informed that:

- £55,000 per annum from the Fund's budget was spent on Spacehive's services.
- Officers at the council worked with prospective applicants to support their applications to the Fund, for example ensuring they were constituted, and sign-posted to other grant schemes where appropriate.



- Ahead of the first round of funding, information about the Fund had been shared with over 800 local organisations, including district councils, and awareness raising was supported by the Communications Service.
- Following the recommendation of the Community, Cultural and Corporate Services Scrutiny Committee's review of the Fund and recommendation, the Fund's maximum award had been reduced from £20,000 to £15,000. This had allowed funding to be awarded to more organisations and helped organisations, who may have been crowdfunding for the first time, to set realistic targets.

The committee applauded the well-run scheme and the positive impact it was having on communities and events across Lancashire. Members were pleased by the number of organisations applying to and supported by the Fund.

Resolved: That the Annual Report on the Lancashire Culture and Sport Fund be noted.

15. Urgent Business

None.

16. Date of Next Meeting

It was noted that the next meeting of the Audit, Risk and Governance Committee would be held on Monday 22 July 2024 at 2.00 pm at County Hall, Preston.

17. Exclusion of Press and Public

Resolved: That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information, as defined in the appropriate paragraph of Part I of Schedule 12A to the Local Government Act 1972.

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

18. Appendix 'E' to Item 9

(Not for Publication – Exempt information as defined in Paragraph 3 of Part 1 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).

The committee considered the private and confidential Appendix E to Item 9 – Internal Audit Progress Report.

Resolved: That Appendix E to Item 9 – Internal Audit Progress Report, be noted.



19. Appendix 'C' to Item 12

(Not for Publication – Exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).

The committee considered the private and confidential Appendix C to Item 12 – Corporate Risk and Opportunity Register – Quarter 1 Update.

It was requested that the report relating to cyber security risks, presented at the Audit, Risk and Governance Committee meeting on 25 January 2024, be re-shared with members after the meeting.

Resolved: That Appendix C to Item 12 – Corporate Risk and Opportunity Register – Quarter 1 Update, be noted.

H MacAndrew
Director of Law and Governance

County Hall
Preston



Monitoring and Evaluation from Completed Projects

Funding Round	Total no. grants awarded	Total amount awarded	Impact Reports Received				Impact Reports Due*	
			Total no. impact reports received	Total amount	Total no. impact reports not completed due to project still ongoing	Total amount	Total no. impact reports due	Total amount
2023 - Round 1	50	£350,734.00	40	£254,355.00	8	£85,115.00	2	£11,264.00
2023 - Round 2	31	£193,650.00	7	£37,780.00	20	£120,619.00	4	£35,251.00
Total	81	£544,384.00	47	£292,135.00	28	£205,734.00	6	£46,515.00

*Each project creator has 12 months from the date of reaching their crowdfunding campaign to complete their project and submit an impact report. The column which shows Impact Reports Due relates to projects which have been completed but the Impact Report has not yet been received. 5 of these are still within the 12-month period, so are still within the deadline for submission.

