

Lancashire County Council

Audit, Risk and Governance Committee

**Minutes of the Meeting held on Monday, 30th April, 2018 at 2.00 pm in
Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

Present:

County Councillor Alan Schofield (Chair)

County Councillors

E Nash	E Lewis
P Williamson	M Parkinson
A Vincent	J Shedwick
J Berry	

1. Apologies

There were no apologies.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None declared.

3. Minutes of the Meeting held on 29 January 2018

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

4. Internal Audit Progress Report

The Committee considered a report setting out progress and the outcomes of the work for the period to 31 March 2018.

The Committee raised a number of issues around the referencing of background papers in reports; the relationship between Deloitte and Local Pensions Partnerships Ltd (LPPL); residual risk and the link between the work of the Internal Audit Service and Overview and Scrutiny.

In response to the above, it was recognised that background papers should always be properly referenced in all reports. The Chair, as the County Council's representative on the Board of LPPL, would discuss the relationship of Deloitte, as the internal auditor to LPPL, with the Council, with the Chair of LPPL's Audit Committee and report back at the next meeting.

It was noted that County Councillors were not routinely asked if they had any issues relating to specific areas of audit work and the question was raised how

members are informed of the matters arising from internal audit work. It was suggested that consideration could be given to how areas of work identified by the Internal Audit Service might be included in the work plans of the relevant Overview and Scrutiny Committees and officers agreed that proposals would be brought back to the Committee in due course.

Resolved: - That the report, now presented, be noted.

5. Internal Audit Annual Report 2017/18

The Committee considered a report summarising the work undertaken by the Internal Audit Service during 2017/18 and the key themes which have arisen in relation to internal control, governance and risk management across the county council.

Whilst providing limited assurance overall, the report recognised the work being undertaken across the county council to improve the design and effectiveness of the county council's frameworks of governance, risk management and control.

The Committee raised a number of issues around the impact of the management restructure and the involvement of the Internal Audit Service in the current review of governance being led by the Political Governance Working Group.

In response to the above, it was clarified that the report addressed 2017/18 and that recommendations from the Political Governance Working Group would be made in due course to Full Council and would therefore affect 2018/19 and future years. Any changes around governance and, for example, the county council's standing orders, would once implemented, be reviewed for effectiveness in due course.

Resolved: - That the report, now presented, be noted.

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

The Committee considered a report setting out a proposed response to the request for information from Grant Thornton, the county council's external auditors, for information from the Committee Chair.

The Committee raised a number of issues around whether consideration had been given to using a revised materiality figure given the county council's current financial situation; the value of participating in the National Fraud Initiative; and the engagement of staff.

In response to the above, it was clarified that the materiality figure was 1.5% of gross expenditure but that it was a gauge for the external audit process, and did not apply to all matters. The county council's corporate management team was working on a new value set and looking at ways of increasing staff engagement and empowerment which would include regular staff surveys.

The Chair clarified that the 90% funded figure referred to for the Pension Fund was the figure at 31 March 2016 and that it was Local Pensions Partnership Investments Ltd, i.e. a subsidiary of Local Pensions Partnership Ltd, which was regulated by the Financial Conduct Authority rather than the parent company itself.

Resolved: - That, subject to the amendments identified, approval be given to the Chair of the Committee to provide the information set out at Appendix 'B' to the report, now presented, as the formal response to Grant Thornton.

7. Grant Thornton's Request for Information from Management

The Committee considered a report setting out a proposed response to the request for information from Grant Thornton, the county council's external auditors, for information from management.

In response to a query from a Committee member it was clarified that the county council maintained a list of external solicitors and advisors which were used in those circumstances where specific expertise was required.

Resolved: - That approval be given to the management response set out at Appendix 'B' to the report, now presented, as the formal response to Grant Thornton.

8. The Council's Annual Governance Statement 2017/18 and Code of Corporate Governance

The Committee considered a report setting out a draft Annual Governance Statement for 2017/18 and an updated Code of Corporate Governance.

The Committee raised a number of issues around the assurance provided seeming to be more robust than that in the other reports on the agenda; and the inclusion of reports received from the Local Government Ombudsman during the year.

In response to the above, it was reported that a new management process of assurance had been introduced whereby each Director was required to provide the interim Chief Executive with a level of assurance for the services they had responsibility for. Two reports from the Local Government Ombudsman had been considered by Full Council in the 2017/18 municipal year and details would be included.

As a number of amendments to the Annual Governance Statement had been identified, it was agreed that a final version should be presented to the Committee for consideration at its next meeting on 30 July but that a draft, taking account of the amendments, be published with the Statement of Accounts from May 2018.

Resolved: - That:

- (i) Subject to the amendments identified, the Annual Governance Statement as set out at Appendix 'A', now presented, be approved for publication as a draft with the 2017/18 Statement of Accounts from May 2018 and that a final draft be brought back to the Committee at its meeting on 30 July 2018;
- (ii) It be noted that the Annual Governance Statement will be signed by the Interim Chief Executive and Leader of Council, and published on the Council's website following the final approval of the Statement of Accounts;
- (iii) Subject to the amendments identified, the updated Code of Corporate Governance, now presented, be recommended to Full Council for approval.

9. External Audit - Audit Progress Report and Sector Update 2017/18

The Committee considered a report from Grant Thornton, the county council's external auditors, setting out progress to date with the audit of the 2017/18 Statement of Accounts and the Value for Money conclusion.

It was noted that there were no specific issues to bring to the Committee's attention at this point and that the work was on track to enable the outcome to be reported to the Committee at its meeting on 30 July 2018.

In response to a query from a Committee member it was clarified that, with regard to the Teachers' Pension Return, the appointment of auditors was an annual appointment separate from the main contract with Grant Thornton as the county council's external auditors.

Resolved: - That the External Audit Progress Report and Sector Update for 2017/18, as set out at Appendix 'A' to the report, now presented, be noted.

10. External Audit - Lancashire County Council Audit Plan 2017/18

The Committee considered a report from Grant Thornton, the county council's external auditors, setting out the nature and scope of the work that the external auditor would carry out, in respect of Lancashire County Council, to discharge its statutory responsibilities, compliant with the Local Audit and Accountability Act 2014 and the Code of Audit Practice for Local Government.

The Committee raised a number of questions around the valuation of property, plant, equipment and investment property; and the inclusion of Lancashire County Developments Ltd in the audit when other county council companies were excluded.

It was reported that, as regards the valuation, the audit was looking at whether the valuation of such assets was fair and that, as well as undertaking this work itself, Grant Thornton would seek external professional advice if required.

Resolved: - That the External Audit Plan for the audit of Lancashire County Council for 2017/18, and the fees therein, as set out in the report, now presented, be approved.

11. External Audit - Lancashire County Pension Fund Audit Plan 2017/18

The Committee considered a report from Grant Thornton, the county council's external auditors, setting out the nature and scope of the work that the external auditor would carry out, in respect of the Lancashire County Pension Fund, to discharge its statutory responsibilities, compliant with the Local Audit and Accountability Act 2014 and the Code of Audit Practice for Local Government.

It was reported that, as regards the Pension Fund, the materiality was set at £72m, i.e. 1% of net assets.

The Committee raised a number of questions around the relationship between the auditors and Local Pensions Partnership Ltd. It was confirmed that the auditor had direct access to Local Pensions Partnership Ltd.

Resolved: - That the External Audit Plan for the audit of the Lancashire County Pension Fund for 2017/18, and the fees therein, as set out in the report, now presented, be approved.

12. Internal Audit Annual Plan 2018/19

The Committee considered a report setting out details of the Internal Audit Annual Plan 2018/19. The report explained the work that would support the overall opinion for the year on the county council's framework of governance, risk management and control.

In response to a query from a Committee member it was clarified that, whilst this was an annual plan, work would be undertaken to identify the audit work required over a longer cycle and on service areas that are not currently subject to internal review, whilst improvement work continues.

Resolved: - That the Internal Audit Plan 2018/19 as set out at Appendices 'A' and 'B' to the report, now presented, be approved.

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 30 July 2018 at County Hall, Preston.

The Chair also reminded Committee members that a briefing on the 2017/18 Statement of Accounts would be held on Monday 2 July 2018 at 2pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall.

15. Exclusion of Press and Public

Resolved: - That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 12A to the Local Government Act 1972. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

16. Whistleblowing, Special Investigations and Counter Fraud Annual Report 2017/18

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interests in disclosing the information).

The Committee considered a report setting out details of the annual report on whistleblowing, special investigations and counter fraud for 2017/18.

Resolved: - That the report, now presented, be noted;

17. Update on Overpayment of Salaries

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interests in disclosing the information).

The Committee considered a report setting out an update on the overpayment of salaries.

Resolved: - That:

- (i) The report, now presented, be noted;
- (ii) Updates on progress to reduce overpayment of salaries be reported to the Committee by the Head of Internal Audit as part of the regular Internal Audit progress reports considered by the Committee.

L Sales
Director of Corporate Services

County Hall
Preston

