

## **Lancashire County Council**

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

**Minutes of the Meeting held on Monday, 29th October, 2018 at 2.00 pm in Committee Room 'B' - The Diamond Jubilee Room, County Hall, Preston**

#### **Present:**

County Councillor Alan Schofield (Chair)

#### **County Councillors**

J Berry	J Shedwick
T Martin	A Vincent
E Nash	P Williamson
M Parkinson	

County Councillor Lorraine Beavers attended the meeting under Standing Order C13.

#### **1. Apologies**

None received.

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

None declared.

#### **3. Minutes of the Special Meeting held on 28 August 2018**

There were no issues arising from the Minutes of the special meeting held on 28 August 2018. However, the Chair took the opportunity to remind Members that at a previous meeting they had agreed to undertake a training needs analysis to identify areas for training and development. Members who hadn't already done so, were encouraged to complete and return the training needs analysis questionnaire.

**Resolved:** - That, the minutes of the special meeting of the Audit, Risk and Governance Committee held on 28 August 2018 be confirmed and signed by the Chair.

#### **4. The Annual Audit Letter for Lancashire County Council and Lancashire County Pension Fund 2017/18**

The committee considered a report setting out the Annual Audit Letter for the county council and the Lancashire County Pension Fund for 2017/18.

It was reported that the Annual Audit Letter confirmed the actions that had been undertaken by Grant Thornton, the county council's external auditors, together with the key messages in relation to the financial statements audit and audit opinion, and the Value for Money conclusion. It was noted that an audit certificate could not be issued for the year ending 31 March 2018, as had also been the case in recent financial years, due to the ongoing police investigation but once this had concluded the external auditor would issue the certificates.

In commenting on the Audit Letter, Mike Thomas, external auditor, informed the committee that the provisional fee set out on page 21 of the agenda report had now been confirmed.

The Chair clarified that this was the second and not the first full year that the accounts had been completed by 31 July. The external auditor agreed to amend the Annual Audit Letter accordingly.

**Resolved:** - That subject to the above amendments, the Annual Audit Letter for 2017/18 as set out at Appendix A to the report be noted.

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

Mike Thomas, Director, Grant Thornton, presented the External Audit update report to the committee which included progress to date with the 2018/19 audit of the accounts, Value for Money conclusion and other work. The report also provided additional information on sector developments to members of the committee as those charged with governance for the county council.

Mike announced that this would be his last meeting before moving on to take up a new position in Jersey. He also advised that his colleague, Richard McGahon, would also be leaving to take up a new role with Cumbria County Council.

The Chair wished them well on behalf of the committee and thanked them for their contribution to the committee.

**Resolved:-** That the External Audit Progress Report and Sector Update 2018/19 set out at Appendix A to the report be noted.

## **6. Internal Audit Progress Report**

The committee considered a report setting out details of the work undertaken by the Internal Audit Service against the Audit Plan for 2018/19 which had been approved by the committee at its meeting on 30 April 2018.

It was noted that the Audit Plan set out a framework for the reports which the committee would receive during the course of 2018/19 and the outcomes of a number of audits would be reported to the committee in January 2019.

The report highlighted key issues arising from the work undertaken during the period by the Internal Audit Service under the agreed Internal Audit Plan, progress against the Audit Plan and a brief summary of the assurance provided for each of the audits for 2018/19. The report also set out details of the progress made by managers in implementing actions.

The Head of Internal Audit responded to questions raised by the committee in relation to the public service vehicle operator licenses. The officer agreed to investigate and report back to the committee on whether, in addition to the council's compliance with heavy goods vehicle operator licence conditions, the audit work should also encompass the Minibus Driver Awareness Scheme (MiDAS Scheme).

In response to further questions, the Head of Internal Audit agreed to write to all members of the committee to confirm the figure quoted for outcome claims in relation to the Troubled Families programme.

Officers also responded to questions raised with regard to the 'limited assurance' given to the recovery of costs/income from partner organisations and the oversight of payroll payments.

**Resolved:-** That the Internal Audit Service progress report and outcomes of the work for the period to 30 September 2018 be noted.

## **7. Corporate Risk and Opportunity Register Quarter 2**

The committee considered a report setting out details of an updated (Quarter 2) Risk and Opportunity Register.

The report, which had previously been considered by the Cabinet Committee on Performance Improvement, highlighted one new entry to the register (CR12 – Unlawful disclosure of personal or commercial data...). The committee was informed that from April to June 2018, there had been 98 data incidents and that by allowing for mitigating actions, this risk had a residual score of 12. The committee noted that further mitigating actions were planned which included a new training course for staff.

**Resolved:** - That the updated Corporate Risk and Opportunity Register as set out at Appendix A to the report now presented, be noted.

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

The committee considered a report setting out a review of the county council's treasury management activities for the period April to September 2018, including a summary of economic conditions; borrowing activity; investment activity; and

the actuals measured against the prudential and treasury management indicators for the period.

Officers responded to questions raised by the Members in relation to the council's reserves and balances for the remainder of the year. The committee was assured that the level of reserves and investments would continue to be closely monitored.

**Resolved:** - That the treasury management activities set out in the report now presented, be noted.

## **9. General Data Protection Regulation Update**

A report was presented on an update on the implementation of controls to ensure compliance with new data protection legislation across the authority.

It was noted that the Internal Audit Service had carried out an audit into the council's compliance with General Data Protection Regulation and the Data Protection Act 2018 and had given the council 'Substantial Assurance'.

Debbie Bonser, the council's Information Governance Manager, responded to a number of questions raised by Members with regard to the new legislation and the allocation of data protection roles and responsibilities. Following further discussion, it was agreed that Members of the committee would be provided with details of the designated 'data controllers and processors' in respect of the council's major partners and suppliers.

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

## **10. Delays and Overspends on Major Projects, with Specific Reference to the Central Lancashire Strategic Site**

The committee was advised that the briefing note accompanying the oral update included exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. It was therefore recommended that this item of business be moved into Part II of the agenda.

**Resolved:** That this item of business be moved into Part II of the agenda.

This item was therefore considered following Item 13 of the agenda (Exclusion of Press and Public)

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 briefing note together with an oral update by the Director of Finance setting out an update on delays and overspends on major projects, with specific reference to the Central Lancashire Strategic Site.

It was reported that Governance of the capital programme had been strengthened under the auspices of the Capital Board where responsibility for oversight and challenge of cost estimates and capital budgets sits. A comprehensive review of the projects for 2018/19 including prior year slippage had been undertaken by project and programme managers, supported by finance and commissioning. The primary purpose of the review was to propose a delivery programme for 2018/19 which was approved by Cabinet in September and which now formed the agreed baseline for monitoring purposes. The review was focused on:

- Updating the delivery programme for 2018/19 informed by the delivery performance in 2017/18 and previous years.
- Reviewing the level of funding available for unallocated budgets and the requirement for these to be continued to be carried forward.
- Removal of budgets previously included in 2018/19 which have been carried forward from previous years where there is no expectation or plan of delivery in 2018/19.
- Of the new approved projects a realistic assessment of 2018/19 deliverability was made with delivery timeframes and budgets being moved to future years where appropriate.

This gave a proposed delivery programme for 2018/19 which had been risk-assessed as being deliverable and to which project and programme managers would be held accountable using the following actions:

- Detailed monitoring of the delivery programme through 2018/19 to ensure slippage is reported in a timely manner and a robust level of challenge is provided to programme and project managers to ensure delivery remains on track.
- Performance reports developed to enable the Capital Board to undertake this monitoring and challenge.

Following discussion and questions to officers, Members requested that a progress report on the implementation of the above arrangements be presented to the next meeting of the committee on 28 January 2019.

**Resolved:** - That:

- (i) The briefing note and oral update be noted;
- (ii) A progress report on the implementation of the above arrangements be presented to the next meeting of the Audit, Risk and Governance Committee on 28 January 2019.

(Part I – Open to Press and Public)

#### **11. Urgent Business**

There was no urgent business to be considered.

#### **12. Date of Next Meeting**

It was noted that the next meeting of the committee would take place at 2.00pm on Monday 28 January 2019 at County Hall, Preston.

#### **13. Exclusion of Press and Public**

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

#### **14. Neighbourhood Wellbeing Grants**

(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 the final report of the independent auditor appointed to carry out an investigation into the manner in which Neighbourhood Wellbeing Grants were awarded in 2016 and 2017.

The Director of Corporate Services presented the report and the independent auditors conclusions. The auditor had concluded that the approval of the projects was undertaken in accordance with the county council's decision making processes and was therefore lawful. However, the Cabinet Member should have limited their involvement to setting the overall scheme objectives and principles. Officers should have been asked to administer all other aspects of the scheme, including determining which projects were recommended for funding using pre-determined criteria.

The committee was advised that providing the names of certain individuals were redacted, the independent auditor's report could be the subject of a separate report to the Full Council on 13 December 2018.

Following debate, it was proposed that the report to Full Council should include recommendations on any necessary changes that may be required to the constitution and scheme of delegation to reflect the recommendations of the Independent auditor.

Following further discussion and questions to the officers, the following narrative statement and proposed resolution was moved:

"The report by the independent auditors, 'Veritau', presents an alarming breakdown in the proper mechanisms for controlling the county council's expenditure. The report demonstrates what can happen if a county councillor adopts the roles of officers and those officers charged with the responsibility of ensuring financial probity at all times are then unable to carry out their responsibilities effectively.

The report is a damning indictment and it is of concern that, as Cabinet Member for Health and Wellbeing, County Councillor Ali:-

- Gave instructions that all applications for a grant should be submitted only to him.
- Screened the applications for grants without any predetermined criteria for their determination.
- Did not retain a record of those projects not approved by him nor of the reasons for their exclusion.
- Changed the threshold suggested by officers for those applications requiring further checks.
- Approved grants to organisations known to him and in his own division of Nelson East and approved grants totalling £268,000 to organisations in Nelson and the surrounding area.

Committee is also concerned that in publicising the awarding of the grants, some Labour County Councillors sought to give the impression to their electorate that these grants had been given by the Labour Party and not by Lancashire County Council.

Committee therefore resolves to request the Chief Executive and Director of Resources to:

- i) Report to a future meeting of this Committee setting out the responsibilities of Lancashire County Council's officers in relation to council expenditure and outlining a protocol to be followed when grants are awarded to community groups and other voluntary bodies.
- ii) Report this matter to Lancashire Constabulary for investigation to determine if there has been any fraud, misconduct in public office or a criminal breach of electoral law".

It was Moved and Seconded that the proposed resolution be amended to include the words highlighted in italics:

'To request the Chief Executive and Director of Resources to:

- i) Report to a future meeting of this Committee setting out the responsibilities of Lancashire County Council's officers in relation to council expenditure and outlining a protocol to be followed when grants are awarded to community groups and other voluntary bodies *with a view to reporting to Full Council in due course.*
- ii) Report this matter to Lancashire Constabulary for investigation to determine if there has been any fraud, misconduct in public office or a criminal breach of electoral law.
- iii) *Submit the report to Full Council as a Part I item with any necessary redactions."*

On being put to the vote the Motion was Carried. The substantive Motion was then put to the vote and it was therefore:

**Resolved:** That the report by the independent auditors, 'Veritau', presents an alarming breakdown in the proper mechanisms for controlling the county council's expenditure. The report demonstrates what can happen if a county councillor adopts the roles of officers and those officers charged with the responsibility of ensuring financial probity at all times are then unable to carry out their responsibilities effectively.

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- ii) Report this matter to Lancashire Constabulary for investigation to determine if there has been any fraud, misconduct in public office or a criminal breach of electoral law.
- iii) Submit the report to Full Council as a Part I item with any necessary redactions.

L Sales  
Director of Corporate Services

County Hall  
Preston