



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.