

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

Meeting to be held on Monday, 25 July 2022

Electoral Division affected: N/A;
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### **Update on Management's Responses to the Recommendations of the External Auditor**

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#### **Brief Summary**

This report provides the Audit, Risk and Governance Committee with an update on management's responses to the external auditor's improvement recommendations, included in the Auditor's Annual Report 2020-21, as requested at the committee's last meeting held 25 April 2022.

#### **Recommendation**

The Audit, Risk and Governance Committee is asked to note the updates provided.

#### **Detail**

At the Audit, Risk and Governance Committee meeting held 31 January 2022, the committee considered the Auditor's Annual Report on Lancashire County Council for 2020-21. The Annual Report included two improvement recommendations relating to financial sustainability and three relating to governance.

Management's responses to the auditor's improvement recommendations were not included in the Annual Report in time for the meeting. Accordingly, the committee noted the Annual Report subject to management's responses being provided to the committee ahead of the Full Council meeting on 17 February 2022.

The completed Annual Report, including management's responses, was shared with committee members via email on 4 February 2022 and presented at the Budget Meeting of the Full Council on 17 February 2022.

As requested by the Chair of the Audit, Risk and Governance Committee at the committee meeting held 25 April 2022, information is provided below on progress relating to management's responses to each of the external auditor's recommendations.

## Financial Sustainability – Recommendation One

### **Recommendation:**

A clearer distinction could be made between statutory and discretionary spending in the budgetary information provided to members and published on the web.

### **Management comment:**

We are pleased that on the basis of a detailed and thorough review Grant Thornton have concluded that there are appropriate arrangements in place to ensure we manage risks to our financial sustainability with no serious risks identified. We have, in previous budget cycles, analysed the budget between statutory and non-statutory expenditure and reported this to Members. This exercise recognised that statutory expenditure was representing an increasing proportion of the overall budget but also that there are challenges with regard to the interpretation of statutory and discretionary as they relate to a number of service areas.

One of the key elements of previous, and future budget cycles, has been to look at how all services including statutory ones can be delivered differently to deliver better outcomes for individuals, often at a reduced cost overall, and discretionary or preventative services can often be key in supporting these changes. As an area of potential improvement this will be considered by the Member Budget Scrutiny Review Panel.

### **Progress update:**

At its Annual Meeting on 26 May 2022, the Full Council approved a revised Overview and Scrutiny structure. The changes included disestablishing the former Budget Scrutiny Review Panel. Responsibility for budget scrutiny now lies with the (new) Scrutiny Management Board.

The Scrutiny Management Board met informally on 14 June 2022 to discuss how it would carry out budget scrutiny over the next year. The Board agreed to consider the auditor's improvement recommendation during its review of the 2023-24 budget and noted that the Director of Finance had requested information from the external auditor on good practice at different local authorities in relation to this recommendation.

## Financial Sustainability – Recommendation Two

### **Recommendation:**

Stakeholders should be consulted on all significant savings schemes/plans identified by the Council.

### **Management comment:**

The report recognises the significant stakeholder engagement and consultations as part of the service challenges review process and the majority of current agreed savings plans resulted from this process. Subsequent agreed savings have been primarily efficiency or income related and we are not aware of any savings that should have been through a specific consultation process, before final decisions being made, that haven't.

As an area of potential improvement this will be considered by the member Budget Scrutiny Review Panel.

**Progress update:**

As with the first improvement recommendation on financial sustainability above and following the disestablishment of the Budget Scrutiny Review Panel, the Scrutiny Management Board will consider the auditor's improvement recommendation during its review of the 2023-24 budget.

Governance – Recommendation One

**Recommendation:**

Whilst gifts and hospitality received are declared, as with members interests there is not a central register of all gifts and hospitality received. Improvements could also be made to the level of detail captured on the councillor gifts/hospitality register such as date, value, whether it was accepted or declined.

**Management comment:**

This recommendation will be implemented.

**Progress update:**

An updated Gifts and Hospitality Register is available to view on the county council's website here: <https://council.lancashire.gov.uk/mgListGifts.aspx>

From June 2022, this list provides a central register of all gifts and hospitality declared by councillors, including date, value, and whether it was accepted or declined.

Gifts and hospitality declared by councillors prior to June 2022 can also be viewed on the county council's website.

Governance – Recommendation Two

**Recommendation:**

Whilst interests declared by members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests of the Cabinet or of a specific Committee as a whole.

**Management comments:**

This recommendation will be implemented.

**Progress update:**

A central register of members' declarations of interests is available to view on the county council's website here: <https://council.lancashire.gov.uk/mgListDeclarationsOfInterest.aspx?RPID=728>

This online register allows declarations of interest to be sorted by date, committee, category and councillor.

A record of members' interests can also be accessed via each councillors' biography and, in response to the auditors' recommendation, declarations of interests at council meetings can be viewed with the committee details on the council's website:

<https://council.lancashire.gov.uk/mgListCommittees.aspx?bcr=1>

### Governance – Recommendation Three

#### **Recommendation:**

The Council should aspire to ensure that all agenda items reported to committees are subject to sufficient challenge and scrutiny.

#### **Management comment:**

We are pleased that the External Auditor found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions.

Whilst we support the aspirations of this recommendation we have requested further evidence from the External Auditor so that we can consider this improvement recommendation in the context of the enhancements we are putting in place following the LGA Peer Review and the Internal Audit of scrutiny.

#### **Progress update:**

Following on from the LGA Peer Review, a number of actions have been put in place to support members in carrying out their role. These include:

- The establishment of a Member Engagement Panel to help strengthen member-officer relationships. The panel is used as a forum to identify member issues.
- To help establish a better rhythm for decision making, more briefings including operational briefings have been put in place. This should provide members with more information on which to challenge and scrutinise decisions.
- A member survey has been undertaken that aims to identify how members and officers can work better together. An action plan is being drafted.
- Full Council has introduced several changes to constitutional arrangements, including:
  - Changes to the scrutiny function, including the creation of an additional committee and better alignment with Cabinet Members' portfolios and the council's corporate priorities.
  - The disestablishment of the Cabinet Committee on Performance Improvement in order that performance and risk matters are now

discussed at the main Cabinet meeting and therefore given a higher profile.

- Asking the Political Governance Working Group to meet on a quarterly basis, to be a forum for matters relating to the political management of the authority and for regular engagement between political groups and key officers.
- A programme of scrutiny training has also been developed in conjunction with the Local Government Association. These steps have been taken with the aim of enhancing and improving scrutiny and accountability in the council.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

None identified.

### **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