



Annual Report 2021/22

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 this annual report which sets out the role of the Audit, Risk and Governance Committee, and summarises the work we have undertaken during the financial year 2021/22.

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. I should like to thank the Finance, Internal Audit and the External Audit teams.

I should like to take this opportunity to give my personal thanks to all the officers, my previous Deputy Chairman Rupert Swarbrick 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 and strong public financial management.
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 financial reporting 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. Any proposed changes recommended by the Committee would need to be ratified by Full Council.

In summary headings, the Committee's various Terms of Reference cover:

- Governance
- Risk Management and Control
- Internal Audit
- External Audit
- Financial reporting
- Accountability arrangements
- Treasury Management

Work Plan 2021/22

In July 2021, the committee agreed its work plan for 2021/22. The plan set out the standard reports which are expected to be brought to the committee during the municipal year.

It was expected that during the year, the committee would also identify other areas and issues to consider as appropriate.

Key Activities

In this section the activities of the Committee during 2021/22 are summarised under the headings of the key functions.

Internal Control

The Audit, Risk and Governance Committee approved the Annual Governance Statement (AGS) for 2021/22 in April 2022 for inclusion in the draft Statement of Accounts. This included actions for 2022/23, within the following areas, to improve existing governance arrangements:

- Reshaping the County Council
- Family Safeguarding Model
- Integration & Innovation
- Provision of ICT Services
- Covid-19 – Impact on Services and Communities
- Demand Impact on Community and Services

This year the AGS includes a Lancashire County Pension Fund (LCPF) governance compliance statement – a fuller version of which has been presented to the Pension Fund Committee meeting on 17 June 2022 by the Head of the Pension Fund (and for later inclusion in LCPF annual report).

The AGS also included governance arrangements because of the continued coronavirus pandemic. The temporary risk reporting arrangements that were put in place because of the pandemic ceased and the quarterly Corporate Risk and Opportunity Register recommenced being reported to Corporate Management Team (CMT), Cabinet Committee for Performance Improvement (CCPI) and Audit, Risk and Governance Committee. However, following some constitutional changes agreed at Full Council on 26 May 2022 including the disestablishment of CCPI, the corporate register is now reported to Cabinet as a part of the Performance Report. This raises the profile of risk management within the organisation.

The Committee also received and considered updates in the following areas:

- Code of Conduct - Complaints
- Code of Conduct
- Assurance over the pension fund 2020/21
- Debt Management Policy
- Update on the Overpayment of Salaries

Code of Conduct Complaints

In January 2022, the Head of Legal, Governance and Registration Services and Deputy Monitoring Officer presented a report detailing a summary of all complaints received in 2021 against county councillors under the Code of Conduct. It was highlighted that it had not been necessary to escalate any of the complaints to the Conduct Committee.

Code of Conduct

In April 2022 the Democratic and Member Services Manager presented a report which outlined the outcome of a review of the Code of Conduct undertaken by the Political Governance Working Group. It was highlighted that Lancashire County Council did not have an issue with councillors' conduct or receive many complaints.

The Political Governance Working Group had not recommended adopting the Local Government Association's (LGA's) suggested code of conduct; however, the Working Group did suggest increasing the threshold at which members must declare gifts and hospitality received in their role as councillors from £25 to £50. It was noted that the thresholds at other authorities ranged from £25 to £100.

The committee resolved to retain the county council's existing Members' and Co-opted Members' Code of Conduct and voted to recommend to Full Council that the threshold be increased from £25 to £50.

Assurance over the Pension Fund 2020/21

In July 2021 the Head of Internal Audit presented a private and confidential report to give a summary of the assurance available over the Lancashire County Pension Fund for 2020/21.

Debt Management Policy

In October 2021 the Head of Corporate Finance presented a private and confidential report which set out a revised Debt Management Policy for invoiced debt owed to the county council.

The committee was reassured that the county council was generally successful at collecting debt and performed favourably compared to other local authorities.

Update on the Overpayment of Salaries

In January 2022 the Director of Finance, presented an item of Urgent Business to update the committee on improvements to the county council's payroll leavers controls, as requested by the committee at its meeting on 18 October 2021. A further report was provided at the next meeting of the committee that included information about the 2021/22 financial year and the amounts which had not been recovered to date.

Risk Management

As mentioned above, during 2021/22 the Corporate Risk and Opportunity Register was reintroduced. A training video setting out our approach to risk management had been produced for members.

Internal Audit

In April 2022 the Committee agreed the Internal Audit Plan 2022/23, which provided members with the opportunity to challenge and influence the plan where they had 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 2021/22 was also presented to the Committee in April 2022. 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. Of the 31 audits completed during the year, only 2 had provided limited assurance. In addition to the audits completed, follow-up audit work and the success of management's actions to respond to the auditors' recommendations helped to inform the overall opinion.

As a result, the Head of Internal Audit's overall opinion as set out in the Annual Report was that moderate assurance was given regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control for 2021/22.

The Internal Audit Service was looking at ways to improve capacity and efficiency, for example through a minor restructure and the introduction of 'lean auditing'. A new report format had also been introduced to improve communication with services.

As the Chairman of the Committee, I meet or communicate with the Head of Internal Audit without other officers present as and when necessary 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 2021/22, 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 Report for 2021/22. The Annual Report highlighted several improvement recommendations regarding governance and financial sustainability, but no statutory or key recommendations. Officers at the county council provided a response to these recommendations before the Annual Report was considered by the Full Council.

Fraud and Corruption

The Committee receive 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.

Annual Statement of Accounts

The Accounts and Audit (Amendment) Regulations 2021 required that the draft accounts for 2020/21 were published by 31 July 2021 and the audited accounts and opinion were published by 30 September 2021. The draft Statement of Accounts were certified by the Chief Finance Officer and published on the council's website on 26 May 2021, ahead of the statutory deadline.

The Pension Fund Committee at its meeting of 17 September 2021, reviewed the accounts of the Fund and subject to any audit adjustments agreed by the Head of Fund, recommended that the Audit, Risk and Governance Committee approve these accounts. Considering revised Government guidance in response to Covid-19, which indicated that holding an Extraordinary Meeting of the committee in December 2021 was inadvisable, the Urgent Business Procedure was used to seek approval for the council's Statement of Accounts instead.

A dedicated, informal session on the draft Statement of Accounts was held for the Committee.

Treasury Management

The Committee approved reports on Treasury Management throughout the year, exercising its stewardship role. The Committee reviewed:

- Treasury Management Activity 2020/21
- Treasury Management Activity 2021/22 Update
- Treasury Management Policy and Strategy 2022/23 for recommending to Full Council

A training session for the Committee has been held on Treasury Management.

Governance

As referred to under Key Activities above, the Committee agreed the draft AGS 2021/22 in April 2022. The AGS explains how the county council had complied with the Local Code of Corporate Governance. The Committee reviewed the Local Code of Corporate Governance 2022/23 at the same meeting and recommended it to Full Council for approval.

The Committee has not received any reports in respect of investigations into allegations of misconduct under Members' and Co-opted Members' Code of Conduct. The Committee has not granted any dispensations from requirements relating to interests as set out in the Code of Conduct.

Membership, Meetings and 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 2021/22 the Chief Executive / Section 151 Officer, Director of Finance, Director of Corporate Services (and Monitoring Officer), Head of Legal, Governance and Registration Services (and Deputy Monitoring Officer), Head of Internal Audit and Head of Corporate Finance routinely attended Committee meetings.

External Audit

The External Auditors, Grant Thornton, have attended all the Audit, Risk and Governance Committee meetings.

Meetings

The Audit, Risk and Governance Committee met four times in 2021/22. The Committee also held one informal meeting in December 2021 in relation to the Statement of Accounts.

A work programme has been agreed by the Audit, Risk and Governance Committee. The programme will be reviewed when setting the agenda for each meeting and added to when appropriate to ensure ad-hoc requests instigated by the Committee are reported.