

Audit and Governance Committee**Friday, 20 September 2019, County Hall, Worcester - 10.30 am**

		Minutes
Present:		Mr N Desmond (Chairman), Mr G R Brookes, Dr A J Hopkins, Mr L C R Mallett, Mr P Middlebrough, Mr C Rogers, Mrs E B Tucker and Mrs R Vale
Available papers		The Members had before them: A. The Agenda papers (previously circulated); and B. The Minutes of the meeting held on 29 July 2019 (previously circulated).
519	Apologies and Named Substitutes (Agenda item 1)	An apology was received from Mr R W Banks. Mr G R Brookes substituted for Mr R W Banks.
520	Declarations of Interest (Agenda item 2)	None.
521	Public Participation (Agenda item 3)	None.
522	Confirmation of Minutes (Agenda item 4)	RESOLVED that the Minutes of the meeting held on 29 July be confirmed as a correct record and signed by the Chairman.
523	Internal Audit Progress Report 2019/20 (Agenda item 5)	The Committee considered the Internal Audit Progress Report 2019/20. In the ensuing debate, the following points were raised: <ul style="list-style-type: none">• Did the outstanding audit actions at Northleigh Primary School result from a lack of accountability at the school? Jenni Morris, Chief Internal Auditor responded that the failings resulted from a period of significant change at the school together with a lack of oversight by the governing body

- Jenni Morris confirmed that significant progress had been made with the Internal Audit Plan, particularly in reducing the number of older outstanding audit actions. Michael Hudson added that the referral of these outstanding audits to the Leadership Team Transformation Committee had led to greater ownership of the audit process by individual Directors
- Should the Committee be concerned that the audit of the Councillors Divisional Fund remained outstanding? Jenni Morris was satisfied that work was underway to complete the audit therefore there was no cause for concern
- Were school governors aware of their auditing responsibilities or was further training necessary? Jenni Morris advised that the Internal Audit team worked closely with the school finance team. Good practice notes and key themes identified from previous audits would be circulated to all Head teachers. In addition, an audit of the provision of governor training would be undertaken to identify potential inconsistencies in approach. She would be attending a School Conference meeting to give advice to school representatives. The audit of Worcestershire Children First would also be a beneficial exercise
- The practicalities of undertaking an audit were a particular issue for small schools where resources were limited and personality issues could frustrate the process
- Michael Hudson commented that the Council had responded to a Department for Education (DfE) consultation on the introduction of school audit standards. The DfE had recognised the need for greater audit engagement in school processes. The outcome of the Redmond Review into the quality of local authority financial reporting and external audit in England was awaited to see if there were any implications for schools. The Government had changed its position and schools that had previously been assessed as good or excellent would in the future be required to be the subject of further Ofsted reviews
- In response to a concern about the recovery of funds from fraudulent activity, Jenni Morris commented that an audit would be undertaken to review Council's policies to ensure they were fit for purpose, examine the compliance side, establish when policies had been updated and assess consistency with other policies. She hoped to report the findings of the audit to the next

**524 External Auditor
- Annual Audit
Letter (Agenda
item 6)**

Committee meeting. A training session for members on fraud issues would precede the next Committee meeting

- Would school governors be issued with a checklist to provide guidance on audit best practice? Jenni Morris responded that on completion of the thematic review, good practice guidelines would be made available to all governors. Michael Hudson added that he hoped to re-introduce School Financial Value Standards
- Had other elements of fraud been identified but the money not recovered to date? Jenni Morris commented that it was not always easy to prove that fraudulent activity had taken place. Approximately £30/40k of potentially fraudulent activity was currently being investigated. Michael Hudson added that a review of the resource-base allocated for the investigation of fraud was underway
- In response to a query, Jenni Morris indicated that on occasions, genuine mistakes could be made which did not necessarily amount to fraudulent activity. The introduction of fraud prevention initiatives was being considered. There was a delicate balance to be struck between protecting the sensitivities of individuals accused of fraud and the Council's zero-tolerance approach to fraud. Michael Hudson added that self-funded adult social care was a major fraud risk which had been a focus of recent audit work.

RESOLVED that the Internal Audit Progress Report set out in the Appendix to the report be noted.

The Committee considered the External Auditor - Annual Audit Letter.

Peter Barber and Helen Lillington from Grant Thornton, the Council's external auditor attended the meeting. Peter Barber introduced the report and confirmed that the Council's return on the Whole of Government Accounts had been completed on 11 September ahead of the deadline and therefore he was able to issue the Certificate on 11 September which brought the audit of the Accounts to a conclusion. The Chairman appreciated the work undertaken to reach this point over the last 2 years. He thanked Peter and Helen, Michael Hudson and his team and members of the Committee for their contribution over this period.

525 Fourth Update on Finance Improvement Plan (Agenda item 7)

RESOLVED that the External Auditor - Annual Audit Letter 2018/19 be noted.

The Committee considered the fourth Update on Finance Improvement Plan.

In the ensuing debate the following points were raised:

- Although the Council's debt management performance was improving, the impact of its own debt payment processes on smaller businesses should be taken into account
- It was shocking that it had been possible to recover as much as £4m of debt within a 4 week review period. It was important that the Council had the correct processes in place to recover debt. A report should be brought to the next Committee meeting on debt. The report needed to include a breakdown of debt by directorate, including insurance reclaims and any common issues across the Council
- Michael Hudson commented that the Council was in the process of training managers to be good budget holders as well as developing a smaller but more-focused team of accountants.

RESOLVED: that

- a) the report be noted and a further update be brought to the March 2020 Committee meeting; and**
- b) a report on debt be brought to the December 2019 Committee meeting.**

526 Corporate Risk Report (Agenda item 8)

The Committee considered the Corporate Risk Report.

In the ensuing debate, the following points were raised:

- Concern was expressed about the perceived lack of action by the Council to prepare the county for the eventualities of Brexit, given the impending deadline on 31 October. Rob Morris, Management Information, Analytics Manager responded that the Council was in the process of enacting the recent Government Guidance. All councils were required to appoint a lead officer which in this Council's case was Andrew Spice, the Director of Commercial and Commissioning. He reported to the Strategic Leadership team on

**527 Work
Programme
(Agenda item 9)**

a fortnightly basis on key risks and mitigation measures for the county. The Council was also a member of a Brexit Forum

- What were the key risks facing the Council in relation to Brexit? Rob Morris advised that the biggest risk related to the impact on business continuity, for example loss of staff, particularly in adult social care, IT and technology and disruption of supplies.
- The Council seemed to have adopted a reactionary approach to Brexit by awaiting Government guidance before taking action. The full local and regional Brexit planning arrangements, report and spreadsheet of risks and mitigations should be considered for release to all members of the Council
- The Committee might wish to consider reviewing individual high risk topics.

RESOLVED: that

- a) the latest update of the Corporate Risk Register (Appendix) including mitigating actions identified in respect of red risk be noted; and**
- b) the full local and regional Brexit planning arrangements, report and spreadsheet of risks and mitigations be considered for release to all members of the Council.**

The Committee considered its work programme.

Michael Hudson informed the Committee that the Financial Resilience report had been moved from the December 2019 to the March 2020 meeting due to the uncertainty over the publication date of the Redmond Report.

RESOLVED that the work programme be noted.

The meeting ended at 11.50am.

Chairman

