

**COUNCIL**  
**9 NOVEMBER 2017****REPORTS OF COMMITTEES****(a) SUMMARY OF DECISIONS TAKEN BY THE AUDIT AND GOVERNANCE COMMITTEE**

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**External Audit Progress – Worcestershire County Council Annual Statutory Financial Statements for the year ended 31 March 2017**

1. At its meeting on 21 July 2017, the Audit and Governance Committee noted an Interim Findings Report by the County Council's independent External Auditor Grant Thornton with regard to the audit of the 2016/17 statutory accounts.
2. The report confirmed that whilst the audit of the Worcestershire County Council Pension Fund had substantially been completed with no material issued arising, the County Council's accounts still had further work that needed to be completed before being ready for committee approval.
3. A plan was agreed between the County Council's officers and the external auditor, Grant Thornton to complete this work on the accounts ready for approval at the September Committee meeting.
4. After the July Committee meeting, the County Council increased its staffing allocation to support this work and increased the level of quality assurance work.
5. The report to the Committee meeting on 26 September confirmed the outcome of this work which was substantially complete. During the debate at the Committee meeting, some disquiet was expressed about the lateness of the Accounts and the number of issues that remained unresolved. The Committee robustly challenged the Chief Financial Officer and the external auditor on the audit process and to understand the nature of the issues. However, the Committee approved the Final Accounts Pack including the Statement of Accounts for the financial year ending 31 March 2017 and granted delegated authority to the Chief Financial Officer to make any residual amendments to the Statement of Accounts in consultation with the Chairman and Vice Chairman of the Committee as appropriate following the conclusion of any outstanding external audit work. The Committee also authorised the Chief Financial Officer to sign the Letters of Representation on behalf of the County Council
6. The External Auditor noted in their Audit Findings Report (AFR) to the September Committee that a small number of further changes were required to the set of financial statements. These small numbers of changes, with one exception, had been reflected in the final Statement of Accounts and were not material in nature. However, work was unable to be concluded by the Statutory Deadline.

7. Final External Audit testing identified the need for a change to a Disclosure Note in relation to Exit Packages. Whilst that change was below the External Auditor's triviality level and would not normally be agreed between the External Auditor and the Finance Team for the majority of the Statement of Accounts, for this particular Disclosure Note, the External Auditor had applied a materiality level of £10,000 based on their view of the significant public interest in this disclosure. Therefore an Audit and Governance Committee meeting needed to be convened to confirm the re-adoption of the Statement of Accounts that included this change.

8. After the September Committee meeting, the following progress was made:

- Disclosure Note on Exit Packages - an adjustment had been agreed with the External Audit to reflect the inclusion of Pension Strain payments or accruals to 14 members of staff that has resulted in a £0.5 million adjustment to this Disclosure Note
- The External Auditor completed their audit work on one area of the Statement of Accounts where adjustments were included in the September Committee papers and for completeness, these had been reported by the External Auditor
- Six further adjustments had been made and agreed with the External Auditor to the Statement of Accounts presented on 26 September 2017. These adjustments that were not material but above triviality would normally have been dealt with through the delegation provided by the Committee in relation to areas of remaining work flagged in the AFR
- A small number of agreed changes, whilst trivial in nature had been made to improve the presentation of the Statement of Accounts
- One unadjusted misstatement that was not material and reported within the External Audit AFR had been adjusted reducing the number of unadjusted and not material misstatements contained in the previous AFR from three to two.

9. The External Auditor has now materially concluded their work and has reported in their Update Letter that they anticipated providing an unqualified opinion based on the Audit and Governance Committee adopting the revised Statement of Accounts. At its meeting on 13 October, the Committee noted the External Auditor update letter. The Committee has approved the Final Accounts Pack including the Statement of Accounts for the financial year ending 31 March 2017 and has authorised the Chief Financial Officer to sign the Letters of Representation on behalf of the County Council

## **Annual Governance Statement**

10. The Accounts and Audit Regulations 2011 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement each year with the financial statements.

11. The Annual Governance Statement confirms the overall assurance of the Council's systems and has been signed by the Chief Executive and Leader of the Council. The Committee has approved the Annual Governance Statement.

## **Counter Fraud Report 2016-17**

12. The Counter Fraud Report summarises the Council's compliance with best practice and demonstrates its continued commitment to strong counter fraud measures. It is important that the Council maintains its counter fraud response as changes to service delivery continue to evolve. The Committee considers the report on an annual basis and has noted the counter Fraud Report 2016-17.

## **Internal Audit – External Quality Assessment**

13. Internal audit within the public sector is governed by the Public Sector Internal Audit Standards (PSAIS) which, although they have been in place since 2013, were significantly updated from April 2017.

14. The internal audit service, which is provided by Warwickshire County Council, is required periodically to have an External Quality Assessment to assess compliance with PSIAS. Arrangements for an assessment have now been finalised and it will take place during February 2018.

15. The Section 151 officer(s) and Chairman of the Committee will be interviewed as part of the assessment and in due course the outcome of the exercise will be reported to the Committee. The Committee has noted the arrangements for the assessment.

## **Work Programme**

16. The Committee has noted its future work programme.

**Mr N Desmond**  
**Chairman**

## **Contact Points**

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## **Background Papers**

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda papers for the meetings of the Audit and Governance Committee held on 26 September 2017 and 13 October 2017.