

**COUNCIL**  
**18 JANUARY 2018****REPORTS OF COMMITTEES****(a) SUMMARY OF DECISIONS TAKEN BY THE AUDIT AND GOVERNANCE COMMITTEE**

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**Final Accounts 2016/17 – Lessons Learned Report**

1. The Final Accounts pack including the Statement of Accounts for the financial year ended 31 March 2017 was approved on 13 October 2017 and the Chief Financial Officer signed the Letters of Representation on behalf of the County Council. It was agreed that the Interim Chief Financial Officer would provide a "Lessons Learned" report to the Committee. The report examined the issues leading up to the publication of the accounts and what lessons will be learned to ensure that the 2017/18 accounts are closed and audited within the statutory deadline, which for 2017/18 is being brought forward to 31 July 2018.
2. There are a number of actions that are already in place in preparation for the 2017/18 final accounts process. This includes ensuring that the experienced Finance Manager resumes the role of being the named point of contact with External Audit and takes responsibility for coordinating all queries as they arise. The Finance Manager met with Grant Thornton's Audit Manager and "In Charge" Auditor on 20 November 2017 to confirm the project plan timetable and activities required.
3. The results of the review undertaken by the Interim Chief Financial Officer and actions which have been/are being put into place covered the following key themes: leadership and governance, pre-planning, project management, quality assurance, technical judgements, managing relationships/communication, systems and processes, training/expectations, and staffing.
4. The Grant Thornton publication "Advancing Closure - Transforming the financial reporting of local authority accounts" has a number of recommendations, including a best practice checklist. Whilst the recommendations are primarily to ensure early closure, they are relevant in any case. The Finance Leadership Team will review Worcestershire's performance against the checklist. These will be followed up in the detailed project plan.
5. There are many lessons to be learned from the finalisation of the accounts process for 2016/17. A major issue was that temporary staff were given the responsibility for the preparation of the accounts, and their work was not effectively quality assured. The External auditors had to complete significant additional work in order to deliver an opinion on the Council's financial statements, resulting in an increased audit fee of £35,072. This will be met from the Financial Services budget.

6. A return of the experienced in-house team should bring a level of confidence given past performance in closing the accounts on time. The increased level of scrutiny and governance will ensure that any issues are escalated at the earliest possible opportunity.

7. It is acknowledged there is still significant work to be done and this will be closely monitored over the coming months. The Committee has noted the report and will receive an update report at its meeting on 16 March 2018.

### **Annual Audit Letter 2016/17**

8. Grant Thornton is responsible for producing an Annual Audit Letter which brings together all aspects of external inspection work undertaken across the Council including the audit work carried out on the accounts. The Committee has noted the Annual Audit Letter 2016/17.

### **Corporate Risk Report**

9. The Corporate Risk Register provides a mechanism for collating and reporting risks that could affect the delivery of corporate objectives. In April 2017 the Council adopted an electronic risk register tool to hold in one place all the major risks identified by individual Directorates and major projects. A scoring system is used to rate individual risks. This allows risks to be ranked and provides a view of the highest risks identified across the organisation. At the end of Quarter Two 2017/18 there were 160 individual risks entered in the risk register of which 9 were identified as high/"red" risks.

10. As individual risks recorded in the new risk register are much more specific than the more generic corporate risks reported previously, they have been grouped. The nine highest risks can be grouped into two risk areas:

- Children's Social Care – risks around safeguarding children which are being addressed by the Council's Improvement Plan
- Adult Social Care – risks around increasing demand and related pressures in the overall health and social care system.

11. The Committee has noted the latest update of the Corporate Risk Register including mitigating actions identified in respect of red risks.

### **Anti Money Laundering Policy**

12. The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force on 26 June 2017. They implement the EU's 4th Directive on Money Laundering. In doing so, they replace the Money Laundering Regulations 2007 (MLR 2007) and the Transfer of Funds (Information on the Payer) Regulations 2007 which were previously in force.

13. Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money

laundering safeguards and reporting arrangements.

14. As a result the Council's Anti Money Laundering Policy has been updated and approved by the Committee.

### **Internal Audit Progress Report 1 April to 31 October 2017**

15. The Committee has noted the Internal Audit Progress Report for the period 1 April to 31 October 2017. The Committee has requested a report to its meeting on 16 March 2018 on the audit and governance issues associated with Bromsgrove Railway Project.

### **Work Programme**

16. The Committee has noted its future work programme. The Committee has requested a report to its meeting on 16 March 2018 on the governance arrangements associated with the commissioning of the HR/Payroll system in particular its past and future impact on the Audit of Accounts process.

**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 meeting of the Audit and Governance Committee held on 8 December 2017.