

Audit and Governance Committee

Friday, 18 March 2016, County Hall, Worcester - 10.00 am

	Minutes
Present:	Mrs S Askin, Mr S J M Clee, Mr R J Sutton and Mr P A Tuthill
Available papers	The Members had before them: A. The Agenda papers (previously circulated); and B. The Minutes of the meeting held on 11 December 2015 (previously circulated). A copy of document A will be attached to the signed Minutes.
371 Named Substitutes (Agenda item 1)	Mrs J L M A Griffiths for Mr W P Gretton.
372 Apologies/ Declarations of Interest (Agenda item 2)	Apologies were received from Mr N Desmond, Mr W P Gretton and Mr L C R Mallett.
373 Election of Chairman for the meeting	RESOLVED that Mr P A Tuthill be elected Chairman for the meeting. Mr P A Tuthill in the Chair
374 Public Participation (Agenda item 3)	None.
375 Confirmation of Minutes (Agenda item 4)	RESOLVED that the Minutes of meeting held on 11 December 2015 be confirmed as a correct record and signed by the Chairman.
376 Retention and Disposal of Records (Agenda item 5)	The Committee received an update on the retention and disposal of records. In the ensuing debate, the following principal points were raised:

- The Registration and Coroner's Service Manager indicated that since the publication of the report, work had been completed on the Disposal Schedule for the Arts Service, Gypsy Service, BEC Travel Plans, and BEC Research and data. She anticipated that the Schedule would be completed by the autumn. The Corporate Information Manager added that all records of whatever nature/type would be disposed of whenever they were no longer required
- How far back were the Council's records kept? The Corporate Information Manager explained that records dated back to the 1930s/40s but were sporadic in nature given the different approaches to the retention of records over time
- In response to a query, the Corporate Information Manager stated that compliance with the Disposal Schedule had been good and no particular problems had been experienced. The Registration and Coroner's Service Manager added that the process was overseen by an Information Governance Group which consisted of senior management. Any issues which arose would be reported to this Committee.

RESOLVED that:

- a) the training now available to all staff on good records management practices be noted;**
- b) the continuing work to ensure the Council is not retaining records it no longer needs to retain whilst keeping the Corporate Memory be noted; and**
- c) the progress made with the review of the Disposal Schedule be noted.**

377 Counter Fraud Report 2015/16 (Agenda item 6)

The Committee considered the Counter Fraud Report 2015/16.

In the ensuing debate, the following principal points were raised:

- Garry Rollason introduced the report and commented that the level of fraud affecting the Council continued to be low and therefore the level of counter fraud activity is proportionately low
- Did Internal Audit ensure that the appropriate counter fraud policies were in place when services were commissioned out? Garry Rollason stated

378 Internal Audit Progress Report - 1 November to 31 January 2016 (Agenda item 7)

that he would expect the tendering documentation to include the necessary counter fraud provisions including a whistle-blowing policy

- How were employees made aware of their responsibilities under the counter fraud policy? The Chief Financial Officer explained that there was a campaign to raise awareness of fraud amongst staff for example via the intranet
- In response to a query, the Chief Financial Officer indicated that counter fraud provisions would be incorporated in the design of the new accounting system – e5
- There had been a case reported in the local press relating to missing cash from a Day Centre which was referred to in the report . Had references/checks been made on that particular employee? Garry Rollason undertook to check the details of the case. He added that in general, the police welcomed the counter fraud work undertaken by the Council because it speeded up the prosecution process.

RESOLVED that the Counter Fraud Report 2015/16 be noted.

The Committee considered the Internal Audit Progress Report.

In the ensuing debate, the following principal points were raised:

- Garry Rollason explained there would be some audit work carried forward into the next financial year however this was not unusual and was not something the Committee should be concerned about
- Garry Rollason undertook to provide a more detailed explanation of the audit assurance levels in future reports to Committee
- It was queried why the audit of Evesham Abbey Bridge would be deleted from the plan. Garry Rollason explained that discussions continued to be held with the contractor therefore the audit had not been completed. However he would amend the plan to indicate that the audit had been deferred rather than deleted
- In response to a query about the Malvern Link and Foregate Street Enhancement contract audit, Garry Rollason stated that the two sites were the subject of one contract hence a single audit.

379 External Audit Plan - Worcestershire County Council (Agenda item 8)

Although the audit work for Malvern Link Station had been completed, there were problems with the contract for Foregate Street Station therefore the audit had not been completed. It was unlikely that this audit and the Bromsgrove rail contract audit would be completed this financial year.

RESOLVED that the Internal Audit Progress Report be noted.

The Committee considered the external auditor's Audit Plan for Worcestershire County Council.

John Gregory, Director at Grant Thornton introduced the report and made the following points:

- The overall materiality for the Council had been determined at £15.516m. Two separate items had been identified as being particularly sensitive and required separate materiality levels – Disclosure of officers' remuneration, salary bandings and exit packages, and disclosure of auditors' remuneration
- More areas had been identified as significant risks than in previous audits. This did not necessarily imply an increase in the level of risk but reflected a change in the way risks were classified
- The new approach to the Value for Money audit work required the external auditor to identify significant risks and do the follow up work. The identification of a significant risk did not necessarily mean there was a problem. It could be that the issue was of importance and that there was not enough information to make a safe conclusion. The particular challenges facing the Council's financial position going forward were recognised, particularly Children's Services overspend.

In the ensuing debate, the following principal points were raised:

- In response to a query about the Council's timescale for completion of the audit of the accounts, John Gregory stated that the Council was on track at present to produce its accounts at the earliest possible time
- In response to a query about IT controls, Helen Lillington, Audit Manager, Grant Thornton reported that there were no significant weaknesses in the Council's IT controls although some deficiencies

had been identified and an action plan was being agreed. John Gregory added that if the concerns were significant they would be flagged up to the Council

- As part of the review of the Council's working arrangements with its health partners, did the external auditor have access to the Health Authority accounts to check its performance? John Gregory advised that the external auditor was only responsible for auditing the affairs of the County Council
- Concern was expressed about the continued financial pressure on the budget for Adult Social Care. John Gregory acknowledged the demand led pressure on the budgets of both Adult and Children's social care. There were things the Council could do to ease the pressure such as ensuring the right individuals entered the system, working with health services and managing the market. The Government had recognised the impact of Adult Social Care and provided Councils with the opportunity to raise an additional Council tax levy of 2%. The Chief Financial Officer added that it was important to set the right budget and deliver services where needed using the right mechanisms
- Was the cost of care as well as an increase in volume an issue in Children's Services? The Chief Financial Officer advised that the number of Looked after Children had increased and at the same time the average cost of supporting each child had increased. It was anticipated that the budget for Looked after Children would reduce next year as the Council focussed on supporting services. In particular, the number of high cost residential care placements would be examined to find cheaper alternatives that increased the life opportunities for these children and hopefully reduced numbers entering the care system in the future
- The introduction of the minimum wage at care homes had resulted in an increase in the cost of care. The Chief Financial Officer stated that a key challenge was to fund residential care in the available budget envelope.

RESOLVED that the external auditor's Audit Plan for Worcestershire County Council be noted.

Plan - Pension Fund (Agenda item 9)

Helen Lillington, Audit Manager at Grant Thornton introduced the report and made the following points:

- The Government were introducing changes to investment regulations which had implications for the governance arrangements for the Pension Fund in the future
- Materiality of the Fund had been determined to be £19.8K which was considered appropriate. Management expenses had been highlighted in light of CIPFA guidance regarding greater clarity on costs and how expenses were disclosed.

In the ensuing debate, the following principal points were raised:

- What would be the impact of a higher level of materiality? John Gregory advised that the level of materiality would have an impact on whether or not the external auditor felt it necessary to qualify the audit opinion on the accounts. Materiality drives the testing strategy and specific tests were only carried out on areas above the recommended level of materiality
- The report indicated that an increased number of admitted bodies might increase the administration costs of the scheme overall. What could be done about this? John Gregory commented that the Government would like to see bigger pension funds with smaller administration costs. Councils needed to ensure that systems were as efficient and effective as possible to deal with admitted bodies. The Chief Financial Officer added that this was a matter being considered by the Pensions Committee in relation to the governance arrangements for the scheme. The Council needed to determine how to invest funds through the Strategic Asset Allocation and ensure that the right advice was received to achieve that. The move towards pooling how investments are made aimed to ensure that the Fund was investing in the right areas at the best possible cost. Pensions administration was remaining a function of the County Council. Efforts would continue to reduce the cost of the administration of the scheme by improving access to information for members, increasing self-service and examining the allocation of funds to ensure that the Fund was invested in the right products
- In response to a query about the impact of leaving

the EU on Fund investments in Europe, the Chief Financial Officer commented that this was an issue that would be reviewed by the Pensions Committee.

RESOLVED that the external auditor's Audit Plan for Worcestershire County Pension Fund be noted.

381 External Audit Report - Informing the audit risk assessment for Worcestershire County Council and Pension Fund (Agenda item 10)

The Committee considered the content of the External Audit Report – Informing the Audit Risk Assessment for Worcestershire County Council and Pension Fund.

Helen Lillington, Manager at Grant Thornton introduced the report and commented that the external auditor was required to make enquiries with members and officers about a number of key areas under auditing standards. She had worked with officers of the Council and received responses from them on a series of questions. The Committee was asked to consider whether these responses were consistent with its understanding and whether there were any further comments it would wish to make.

In the ensuing debate, it was considered that the report was comprehensive and straight-forward.

RESOLVED that the content of the External Audit Report – Informing the Audit Risk Assessment for Worcestershire County Council and Pension Fund be noted.

382 Work programme (Agenda item 11)

The Committee considered its future work programme.

RESOLVED that the work programme be noted.

The meeting ended at 11.00am.

Chairman