

Audit and Governance Committee**Friday, 9 December 2016, County Hall, Worcester - 10.00 am**

		Minutes
Present:		Mr N Desmond (Chairman), Mrs S Askin, Mr S J M Clee, Mr L C R Mallett (Vice Chairman), 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 21 July 2016 (previously circulated). A copy of document A will be attached to the signed Minutes.
393	Apologies and Named Substitutes (Agenda item 1)	None.
394	Declarations of Interest (Agenda item 2)	None.
395	Public Participation (Agenda item 3)	None.
396	Confirmation of Minutes (Agenda item 4)	RESOLVED that the Minutes of the meeting held on 21 July 2016 be confirmed as a correct record subject to an amendment to Minute no. 387 that the decrease in the Council's useable reserves should read £8.0m instead of £0.8m.
397	Corporate Risk Report (Agenda item 5)	The Committee considered the latest refresh of the Corporate Risk Register. In the ensuing debate, the following principal points were raised: <ul style="list-style-type: none">• Tony Leak, the Management Information and Analytics Manager explained that since the last

report to Committee, the Business as Usual indicator rating had changed from amber to red because of issues in restructuring the social work service in the south of the County. This was due to difficulties in recruiting social work managers, with an impact on service delivery and likely impact on achievement of planned savings. The risk to business as usual was being mitigated in the short term through the use of agency managers to cover some of the current vacancies

- Was the increase in the risk rating of Business as Usual as a result of the difficulties in the recruitment of social workers or was it a transformational issue? Tony Leak responded that the reason the level of risk had been increased was because of the impact on the savings plan
- The recruitment of social workers had been a problem for some time and would not get any easier so was the target unrealistic in the first place and therefore why was the upgrade of the risk considered to be a short term problem? Tony Leak commented that under normal circumstances, vacancies arose for social work managers on an individual basis as part of normal turnover and if needed agency staff would be employed to cover the work. However there were particular issues now as the new Adult Social Care Structure required the recruitment of a number of new managers at the same time. John Gregory on behalf of Grant Thornton added that there was an unfortunate coincidence of the restructuring of Adult Social Care and the difficulty of social workers recruitment. The short term nature of the risk reflected management confidence that sufficient social workers would be recruited to support the new structure. However it was acknowledged that difficulties with social worker recruitment would be likely to continue in the future
- Tony Leak explained that since the report had been published, the report to the Cabinet about the Risk Register had been amended so that actions to address the risk associated with the impact of demographic changes were split out between adult and children's services. This amendment would not impact on the overall red risk assessment for this indicator. It was anticipated that it would take twelve months as a minimum before this risk rating could be reduced.

RESOLVED the latest refresh of the Corporate Risk

398 Arrangements for the appointment of the County Council's External Auditor (Agenda item 6)

Register, including the red risks identified and mitigating actions be noted.

The Committee considered the proposed arrangements for the appointment of the County Council's external auditor. The Grant Thornton representatives offered to leave the meeting for this item, but members decided this was not necessary.

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

- In response to a query, Jenni Morris, the Finance Manager, Reporting, Planning and Projects commented that the fees for the service would not be known until the PSAA had a clear picture of how many councils had signed up to particular options in the new year
- In response to a query, Jenni Morris stated that neighbouring councils and local district and parish councils had indicated that they were intending to sign up to option 3 (Opt-in to a Sector Led Body)
- It was important that the Council made a decision to opt into Option 3 to avoid missing out on the appointment of some of the major accountancy firms in the country. If the Council did opt into this arrangement, how easy would it be to withdraw from the arrangement for example if the Council was not happy with the level of service? Jenni Morris advised that there would be an arbitration service available to all councils
- In response to a query, John Gregory from Grant Thornton commented that only one or two councils had opted for either option 1 or 2
- John Gregory informed Members that it was anticipated that under the PSAA arrangements for Option 3, the country was likely to be divided into 2 or 3 regions. Within each region, it was probable therefore that 2 or 3 external auditors would be used to avoid any possible conflict of interests with the advisory work of the accountancy firms involved, and one of these would be appointed to the County Council
- It was queried whether there was a cost associated with the co-operation of external auditors within the region because it was counter-intuitive to expect a cost neutral outcome when more than one auditor was involved? Jenni Morris replied that an agreed approach for costing arrangements would be determined between local councils before the audit commenced in order to

399 Annual Audit Letter 2015/16 (Agenda item 7)

minimise the risk. John Gregory added that there was a duty placed on external auditors to co-operate within a particular region

- In response to a query, Jenni Morris undertook to look into the implications for the Council's shared services arrangements.

RESOLVED TO RECOMMEND to 'opt in' to the appointing person arrangements proposed by the Public Sector Audit Appointments (PSAA) for the purpose of appointing the County Council's external auditors.

The Committee considered the Annual Audit Letter 2015/16.

John Gregory and Helen Lillington from Grant Thornton, the Council's external auditor introduced the report and made the following points:

- The audit process had gone well this year and in particular there had been an improved collaboration with officer
- Two standard risks had been identified in both the Council and Pension Fund accounts in relation to the revenue cycle including fraudulent transactions, and management of over-ride controls. Specific risks to the Council had been highlighted in respect of valuation of property, plant and equipment, and valuation of the pension fund liability. In relation to property, plant and equipment, further work had been carried out in relation to the Council's use of PPL to value its assets to enable the right level of assurance to be given
- Level 3 investments had been identified as a significant risk for the Pension Fund. No material issues had been reported although some recommendations had been made to improve disclosures
- The Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources
- CIPFA had pushed back the introduction of Highways Network Assets for twelve months. This was a challenge for the Council to include the proposed amendments in its accounts for 2016/17.

RESOLVED that the Annual Audit Letter 2015/16 be

400 Internal Audit Progress Report 1 April to 30 October 2016 (Agenda item 8)

noted.

The Committee considered the Internal Audit Progress from 1 April to 30 October 2016.

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

- Garry Rollason introduced the report and commented that it was pleasing to see that the completed audit for the Children's Recovery Plan had received a full level of assurance. A number of audits were nearing completion with draft reports issued and management comments awaited. He anticipated that final reports would be available for the next Committee meeting. A number of final audit reports had been published and were accessible via the Council's web site. There were a few audits with outstanding recommendations which were taking longer than planned to complete
- In response to a query, Garry Rollason commented that a report on the audit work on the use of consultants would be brought to the next Committee meeting. It was too early to give a view on the outcome
- Garry Rollason stated that although the internal audit section had been asked by Ofsted to provide information, they had no direct involvement in the Ofsted inspection process.

RESOLVED that the Internal Audit Progress Report be noted.

401 Work programme (Agenda item 9)

The Committee considered its future work programme.

In the ensuing debate, the representative of the Head of Legal and Democratic Services indicated that since the last report to Committee, the Counter Fraud Report had been moved from March to September 2017 to create a more even spread of work for the Committee.

RESOLVED that the work programme be noted.

The meeting ended at 10.50am.

Chairman