

## Audit and Governance Committee

### Friday, 14 December 2018, County Hall, Worcester - 10.30 am

		<b>Minutes</b>
<b>Present:</b>		Mr N Desmond (Chairman), Mr A I Hardman, Dr A J Hopkins, Mr L C R Mallett, Mr P Middlebrough, Mr C Rogers and Ms R Vale
<b>Available papers</b>		The members had before them:  A. The Agenda papers (previously circulated); and  B. The Minutes of the meeting held on 21 September 2018 (previously circulated).
<b>482 Apologies and Named Substitutes (Agenda item 1)</b>		Apologies were received from Mr R C Banks and Mrs E B Tucker.  Mr A I Hardman substituted for Mr R C Banks.
<b>483 Declarations of Interest (Agenda item 2)</b>		None.
<b>484 Public Participation (Agenda item 2)</b>		None.
<b>485 Confirmation of Minutes (Agenda item 4)</b>		<b>RESOLVED</b> that the Minutes of the meeting held on 21 September 2018 be confirmed as a correct record and signed by the Chairman.
<b>486 Internal Audit Progress Report - 1 September to 28 October 2018 (Agenda item 5)</b>		The Committee considered the Internal Audit Progress Report - 1 September to 28 October 2018. The details were set out in the report.  In the ensuing debate, the following points were made: <ul style="list-style-type: none"><li>Garry Rollason indicated that since the report was written, the vast majority of responses from managers to the outstanding audit recommendations had now been received. However 13 recommendations remained</li></ul>

outstanding albeit the number of those outstanding over 6 months had reduced by one

- Did the poor response from managers result from a cultural issue within the organisation? Michael Hudson responded that part of the problem was that unrealistic targets had been set by managers. Having said that, there was an historical issue with the length of time taken to respond to requests for information within the organisation. A standing item had been added to the Strategic Leadership Team (SLT) agenda which had highlighted the importance of this issue
- Concern about the number of audit recommendations outstanding over 6 months specifically for ICT. Garry Rollason commented that the problem was that managers had been over-optimistic in setting their targets and given the complicated nature of IT projects, meeting these targets had been a particular problem in ICT
- Further information on overdue audits should be presented to the next Committee meeting and the relevant Chief Officers be requested to attend to provide an explanation for the delay
- It was possible that there was an explanation for the delay in a manager's response but without being provided with the necessary information, it was impossible for the Committee to understand the mitigating circumstances. Garry Rollason responded that he would review the format of future reports to include an explanation as to why the issues associated with the audit had not been resolved in accordance with the plan
- The danger was that those audit recommendations that were currently 0-3 months or 3-6 months overdue could slip and become major issues. It was therefore important that there was engagement at Director level.

**RESOLVED:** that

- a) the Internal Audit Progress Report attached as an Appendix to the report be noted; and**
- b) Further information on overdue audits be presented to the Committee meeting scheduled on 15 March 2019 and the relevant Chief Officers be requested to attend to provide an explanation for the delay.**

**487 Update on**

The Committee considered the update on the Internal Audit Transfer. The details were set out in the report.

**Internal Audit  
Transfer  
(Agenda item 6)**

**RESOLVED:** that the update on the position of Internal Audit services transferring back in-house be noted and updates at future meetings on progress be received.

**488 Statutory  
Accounts  
2017/18 -  
Lessons  
Learned Update  
(Agenda item 7)**

The Committee considered the Statutory Accounts 2017/18 - Lessons Learned Update. The details were set out in the report.

In the ensuing debate, members of the Committee expressed their satisfaction with the progress being made by the Accountancy team in improving the statutory accounts process.

**RESOLVED:** that the report be noted and recommended actions endorsed.

**489 External Audit  
Plan 2018/19  
(Agenda item 8)**

The Committee considered the External Audit Plan 2018/19. The details were set out in the report.

Helen Lillington, the Audit Manager from Grant Thornton, the Council's external auditor introduced the report and made the following comments:

- Grant Thornton's Engagement Lead for this Council had changed with Peter Barber replacing John Gregory, who unfortunately was unable to attend this meeting
- Grant Thornton's audit team had already visited the Council and to date the work on the accounts had proceeded smoothly. This External Audit Plan was therefore being reported to the Committee earlier than planned
- Changes had made to the CIPFA 2018/19 Accountancy Code but this did not have any material impact on the Accounts
- A new audit methodology had been introduced with greater emphasis on systems but this would make very little difference to the reporting of the audit of the Accounts
- The progress made in improving Children's Services and the arrangements around the creation of the Worcestershire Children First would be monitored
- Financial Reporting was no longer included in the Value for Money Audit
- There was no difference to the reporting of significant risks from last year
- The valuation of Level 3 investments had been

identified as a significant risk for the Pension Fund. This issue was further complicated by uncertainty about the outcome of the Brexit negotiations.

In the ensuing debate, the following points were raised:

- In response to a query, Helen Lillington explained that the Management Override of Controls was a prescribed risk and a key issue that the external auditor needed to evaluate.
- In response to a query, Helen Lillington commented that the Pension Fund's pooling arrangements and the relationship with LGPS Central would be the subject of an audit. Michael Hudson added that due to slippage in the LGPS Central timescale for the transfer of assets, the audit work had been postponed until late 2019.

**RESOLVED: the content of the External Audit Plan 2018/19 for Worcestershire County Council and Worcestershire County Pension Fund as set out at Appendices 1 and 2 of the report be noted.**

**490 Second update on Financial Improvement Plan (Agenda item 9)**

The Committee considered a further update on the Financial Improvement Plan. The details were set out in the report.

In the ensuing debate, the following points were raised:

- Michael Hudson indicated that the Council was now in receipt of two days of dedicated support from Liberata
- If the support from Liberata was over and above the existing level of support, was the Council required to pay for this work? Michael Hudson responded that commercial negotiations were being held with Liberata on this matter
- In response to a query, Michael Hudson explained that there was a 12 month commitment for the dedicated support from Liberata. This support would help smooth the working relationship to ensure that any necessary changes were made.

**RESOLVED that the report be noted and that a further update be brought to the next Committee.**

**491 Corporate Risk Report (Agenda item 10)**

The Committee considered the Corporate Risk Report. The details were set out in the report.

In the ensuing debate, the following points were raised:

- Had the risk associated with the adequacy of the Council's financial controls always been recognised or had it been included because the risk had increased? Michael Hudson commented that the risk had always been recognised but greater focus had now been placed on it
- How were all the factors assessed in relation to the risk of a human pandemic? Rob Morris responded that for risks of this nature, where the likelihood of such an event taking place was low but the potential impact was high, the Council would assess the impact of such an event on business continuity and the ability to arrange a coordinated response
- The progress made in addressing the risk associated with financial controls was welcomed and hopefully further progress would be made over the next 12 months
- It was disappointing that education had now been assessed as a red risk but this Council was not alone in this respect. Were there any particular issues in Worcestershire that led to a red rating and was any action necessary? Michael Hudson indicated that the SLT had flagged up education as a red risk due to financial pressures on schools, changes to school organisation, and the OFSTED/CQC letter outlining areas for improvement for children with SEND. The issue needed careful monitoring either through this Committee or the relevant scrutiny panel
- Education funding was a national issue and consequently, were the education services of other councils rated as a red risk? Michael Hudson acknowledged that other councils were experiencing similar issues and as a result a campaign had been organised to lobby the Government about education funding
- A more detailed overview of the red risks associated with Education and the Management of the County Estate should be presented to the next Committee meeting.

**RESOLVED that**

- a) the latest update of the Corporate Risk Register including mitigating actions identified in respect of red risks be noted; and**

- b) **A more detailed overview of the red risks associated with Education and the Management of the County Estate be presented to the 15 March 2019 Committee meeting.**

**492 Update on Commissioning (Agenda item 11)**

The Committee considered the update on Commissioning.

In the ensuing debate, the following points were made:

- Michael Hudson explained that the Corporate and Communities Overview and Scrutiny Panel had received an update report on Commissioning at its meeting in late November. A two and a half million procurement target had been set and all contracts would be reviewed. The Commissioning and Commercial Board reviewed progress on a weekly basis and opportunities for improved contractual arrangements had been identified. A category management approach was being explored that would not necessarily be directorate focused
- Commissioning had originally been raised as a concern by the Council's external auditor, therefore it was incumbent on this Committee to monitor the Council's commissioning arrangements on a regular basis. The Committee should therefore receive a further update to its next meeting with a more detailed explanation of the main activity headings.

**RESOLVED that the report on Commissioning be noted and a further update report be presented to its next meeting.**

**493 Work Programme (Agenda item 12)**

The Committee considered its work programme.

In the ensuing debate, members noted the additional items added to the work programme as a result of decisions made at this meeting in relation to an update on the Finance Improvement Plan, an update on the Internal Audit Transfer, outstanding internal audit recommendations, risk reports and the Commissioning update.

**RESOLVED that the work programme be noted.**

The meeting ended at 11.25am.

Chairman .....