

Agenda

Audit and Governance Committee

Monday, 29 July 2019, 10.30 am
County Hall, Worcester

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DISCLOSING INTERESTS

There are now 2 types of interests:
'Disclosable pecuniary interests' and **'other disclosable interests'**

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your spouse/partner as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
 - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
You/your family/person or body with whom you are associated have
a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests** **OR**
relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
 - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Audit and Governance Committee

Monday, 29 July 2019, 10.30 am, County Hall, Worcester

Membership: Mr N Desmond (Chairman), Mr R W Banks, Dr A J Hopkins, Mr L C R Mallett, Mr P Middlebrough, Mr C Rogers, Mrs E B Tucker and Mrs R Vale

Agenda

Item No	Subject	Page No
1	Apologies and Named Substitutes	
2	Declarations of Interest	
3	Public Participation <i>Members of the public wishing to take part should notify the Head of Legal and Democratic Services in writing or by e-mail indicating the nature and content of their proposed participation no later than 9.00am on the working day before the meeting (in this case 26 July 2019). Further details are available on the Council's website. Enquiries can be made through the telephone number/e-mail address below.</i>	
4	Confirmation of Minutes To confirm the Minutes of the meeting held on 15 March 2019. (previously circulated – pink pages)	
5	Internal Audit Annual Report 2018/19	1 - 28
6	Statutory Accounts and Pension Fund 2018/19 - External Audit Findings Report	To follow
7	Annual Governance Statement 2018/19	To follow
8	Annual statutory Financial Statements for the year ended 31 March 2019	To follow
9	Internal Audit Progress Report - July 2019	29 - 42
10	Corporate Risk Report	43 - 56
11	Work Programme	57 - 58

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All the above reports and supporting information can be accessed via the Council's website

Date of Issue: Friday, 19 July 2019

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AUDIT AND GOVERNANCE COMMITTEE

29 JULY 2019

INTERNAL AUDIT ANNUAL REPORT 2018/19

Recommendation

- 1. The Chief Financial Officer recommends that the Internal Audit Annual Report 2018/19 set out in the Appendix is endorsed.**

Background

2. Internal Audit is required by professional standards to provide a written annual report. The content of the report is prescribed by mandatory codes of practice which specifically require the report to provide an opinion on the overall adequacy and effectiveness of the Authority's governance, risk and control framework.

3. The Annual Internal Audit Report was written and prepared under the former arrangement with Warwickshire CC by Garry Rollason as Chief Internal Auditor, and Jackie Sparkes, Engagement Manager. Both auditors have now retired from their respective authorities and will not be able to attend the meeting. I would like to express my thanks and gratitude to both for their service and hard work.

4. Worcestershire County Council has now appointed a Chief Internal Auditor to lead the in-sourced function from 2019/20 – that is Jenni Morris an internal candidate known to the Committee. Jenni will attend the Committee and will take up the role from 1 August 2019, however she will be able to provide assurances regarding the Annual Report appended.

5. The detailed report is attached for consideration by the Committee. It summarises all audits undertaken during the year, some of which have been included in previous reports to the Committee. The report also provides the following opinion on the overall adequacy of the Council's system of internal control:

*"Based upon the results of work undertaken during the year my opinion is that the Authority's control environment provides **moderate** assurance that the significant risks facing the Authority are addressed"*

6. That is the same opinion as the previous year and is recognised in the Council's Annual Governance Statement considered elsewhere on the agenda papers.

7. Overall there has been improvement in the control environment with 50% of audits being adjudged as substantial assurance under Internal Audit's assessment marking. As such there were fewer moderate or limited opinions as shown in the pie charts on the fourth page of the Annual Report.

8. At the time the opinion was given in early April 2019 there were four reports / audits to be completed. The update report also on this agenda identifies these as being now complete and audit reports are at various stages of issue.

9. The report identifies that 76% of recommendations raised have been implemented

Conclusion

10. The requirements of auditing professional standards that an annual report be presented to those charged with governance is discharged through this report and it identifies that the Council's overall control environment is moderate, which is in line with previous years' judgements.

Contact Points

County Council Contact Points

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Specific Contact Points for this report

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Supporting Information

- Appendix - Internal Audit Annual Report 2018/19 - **Please note Appendix D of the report is exempt and should members wish to discuss the information included in this Appendix they would need to consider passing the appropriate resolution and moving into exempt session.**

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.

Internal Audit Annual Report 2018/19

“Providing assurance on the management of risks”



Internal Audit Annual Report 2018/19

“Providing assurance on the management of risks”

This document summarises the results of internal audit work during 2018/19 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the Authority’s control environment that operated during 2018/19.

The shared internal audit service with Warwickshire County Council ended on 31st March 2019 and those auditors working on Worcestershire audits TUPE transferred to Worcestershire on that date. This report outlines the work undertaken by the shared Internal Audit Service for 2018/19 and provides an opinion based on the status of audits as at 12th April 2019. Some work by the Worcestershire audit team will be required to complete the 2018/19 plan but this is unlikely to be significant or affect the overall opinion expressed in this document. Any work after the date of this report will be reported separately.

Summary Opinion

Based upon the results of work undertaken during the year my opinion is that the Authority’s control environment provides **moderate** assurance that the significant risks facing the Authority are addressed.

Context

Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Council, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements.

Internal Audit is required by professional standards to deliver an annual internal audit opinion and report this to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement of conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

The primary role of audit is to provide assurance to the organisation (Directors, Heads of Service, managers and the Audit and Governance Committee) and

ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant business risks. The service helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Council's control environment which feeds into the Annual Governance Statement.

Internal audit work during 2018/19

The underlying principle to the 2018/19 plan was risk and accordingly audits were only completed in areas that represent an '*in year risk*'.

The methodology adopted in preparing the 2018/19 audit plan, and the plan itself, were approved by the Audit and Governance Committee on 26 July 2018.

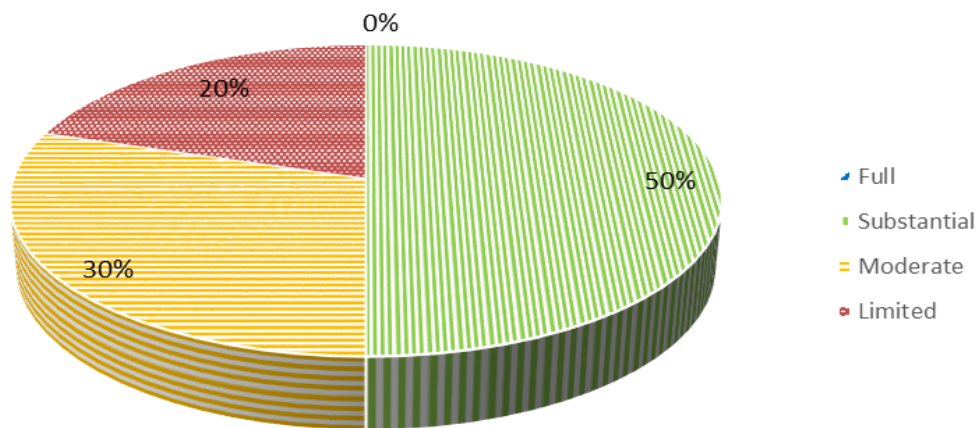
Since the original plan was approved a number of variations to the plan have proved necessary, additional work has been undertaken and some planned audits were no longer required. Variations to the plan during the year are inevitable if the plan is to adequately reflect changing circumstances and the changing organisation, all variations to the plan are agreed with the Chief Financial Officer and reported to the Audit and Governance Committee. The net effect is that although the work undertaken during the year was different to that anticipated 12 months ago, I am pleased to report that, although delivery has been impacted by vacancies and maternity leave, in terms of the number of jobs completed, 95% of the revised plan was achieved subject to management responses being finalised and agreed for outstanding draft reports.

Summary of assurance work

The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits will be given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are that controls provide Limited, Moderate, Substantial or Full assurance that significant risks are being managed. The opinion reflects both the design of the control environment and the operation of controls. The lowest category, Limited, is a negative view whilst the others are all positive. The individual opinions given during the year form the basis of the overall annual opinion. The Audit and Governance Committee has received regular reports during the year summarising audits undertaken, which can be accessed by the following link. [Link](#)

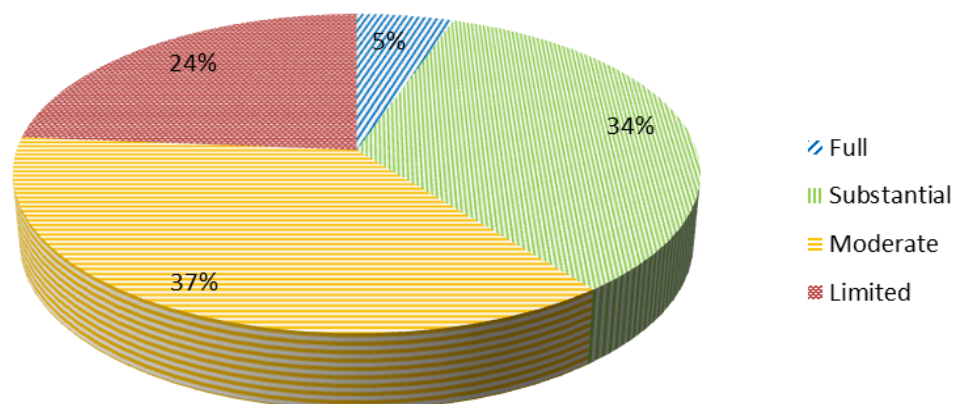
As shown in the following chart the results of a majority of this year's audits are positive (80 % being Substantial or Moderate assurance):

Opinions Given During 2018/19 Incl Drafts



This compares to the outcome for 2017/18:

Opinions Given During 2017/18 incl drafts



In total only four finalised audits from the 2018/19 plan have resulted in a limited opinion:

- Offmore Primary
- School Themed Audit: Budget management, payroll, procurement, ordering and creditor payment processes
- School Themed Audit – Schools in Financial Difficulties
- Accounts Payable

In addition, there are two audits in draft which will result in a limited opinion:

- Accounts Receivable
- Data Centre Security

A summary of the limited opinion audits not previously reported to the Committee is included at Appendix B.

A number of these audits do have a broad scope which needs to be taken into account when framing the overall opinion.

All of the final audits with a limited opinion have been or will be considered by the Strategic Leadership Team and Audit and Governance Committee and those in draft will be reported once finalised.

The proportion of completed audits resulting in a limited opinion has decreased slightly compared to the previous year. Of course, the audit plan includes different topics each year so caution is needed when comparing years. A number of “limited” opinions are to be expected each year especially as the audit planning process and our limited resources means that increasingly only those areas with a high degree of change or risk are included in the plan. The increasing pressures and extent of change facing the Authority may also be a factor but in general terms the picture remains positive.

A full list of the assurance work completed during the year is given in Appendix A, together with a list of those final audits completed since the last report to the Committee which the Council will consider for publication.

There are very few audits still in progress and these are prioritised for completion early in 2019/20:

- Corporate Governance
- Procurement
- Payroll
- Counter Fraud Governance Arrangements

At this stage I anticipate that Procurement will result in a limited opinion with the others having a positive outcome. These audits have been factored into the overall annual opinion.

One audit, Pensions Investments has been deferred to the 2019/20 plan. The intention of the audit was to provide assurance on the transfer of assets to the LGPS Central Pool, however the transfer of assets to LGPS Central Limited was delayed.

Discussions have taken place with other LGPS Pooling Auditors around a joint approach to the audit of records held by LGPS Central Limited and a Pension Pooling Assurance Framework has been drawn up. LGPS Central Limited's AAF Internal Controls Interim Report¹ was reviewed by the Pooling Auditors at a joint meeting of Auditors and representatives of LGPS Central Limited.

Other assurances

In addition to work undertaken by the Council's internal audit service reliance is placed upon audits undertaken by:

- Liberata's internal audit service (Audit West) for the review of the design and operation of key controls on the HR, Payroll and Finance transactional processes provided by Liberata; and
- Place Partnership's auditors (Worcestershire Internal Audit Shared Service - WIASS).

At the time of writing the information provided by these auditors is summarised as follows:

Place Partnership

Risk area	WIASS opinion	Worcs opinion
Procurement cards	Full	Full
Main ledger	Full	Full
Risk management	Moderate	Moderate
Creditors	Moderate	Moderate
Debtors	Significant	Substantial
Projects	Significant	Substantial
Payroll	Significant	Substantial
ICT	Significant	Substantial

Liberata

Risk area	Audit West opinion	Worcs opinion
Accounts receivable	4	Substantial
Accounts payable	4	Substantial
Payroll	4	Substantial

The results are overwhelmingly positive. However, in the case of the Liberata audits the scope is limited to those aspects of the process operated by Liberata and must therefore be considered in conjunction with any audits undertaken on those aspects of the system operated by Worcestershire. Where audits have been undertaken on Worcestershire aspects the outcome has generally not been as positive as the Audit West work.

¹ Refers to the ICAEW Audit and Assurance Faculty Technical Bulletin – Assurance Reports on Internal Controls of service organisations made available to third parties.

Recommendations

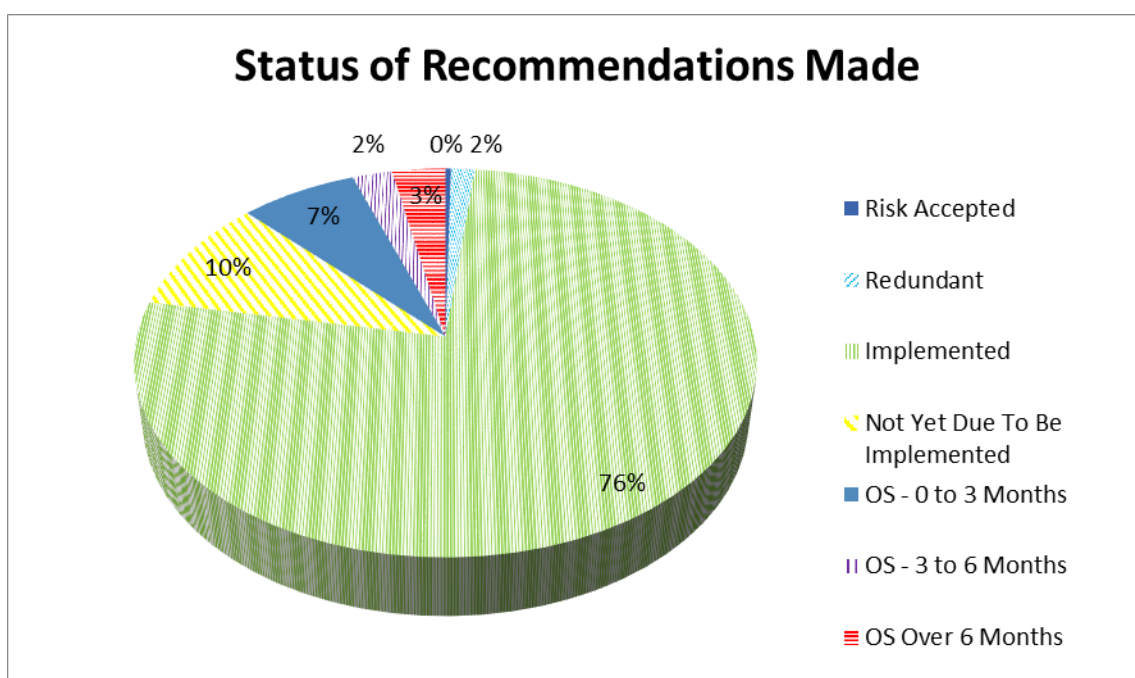
This section considers only the recommendations made by the Warwickshire / Worcestershire shared service, the implementation of which are the responsibility of the relevant Worcestershire County Council manager.

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The current categories used, in increasing order of importance are: Merits Attention, Significant and Fundamental.

In total since 1st May 2015, when the shared service started, 635 recommendations have been made to address weaknesses in control which would otherwise not have been identified. Of these 79 (82 as reported at the last Audit and Governance Committee) are overdue for implementation i.e. the target date agreed by the relevant manager at the conclusion of the audit has passed. Of these:

	0-3 months	3-6 months	+6 months	Total
School recommendations with no responses	19	4	1	24
Council recommendations with responses from managers	25	11	19	55
Total	44	15	20	79

Three percent (20) of the total recommendations raised are thus overdue by more than 6 months, however none of these are classed as fundamental. Four of the recommendations classed as fundamental remain outstanding by less than 3 months.



Appendix C summarises those audits which have overdue recommendations.

Arrangements for monitoring implementation of recommendations has been strengthened over the past 6 months and further improvements will be made during 2019/20.

In respect of overdue recommendations, we have not received a response to our requests for information on the status of implementation in relation to 24 recommendations all of which relate to schools. This relates to four audits. It is therefore possible that some of these recommendations have been implemented.

The level of audit recommendations still to be implemented (12% of all recommendations raised since 2015) is a 1% improvement since the March 2019 Audit and Governance Committee Report and the number of managers actively working to address these recommendations has improved.

The Chief Financial Officer is currently reviewing with Directors the implementation dates for some of the outstanding recommendations.

Summary of non-assurance work

Counter Fraud

The size and complexity of the County Council means that some irregularities are inevitable and therefore, in addition to planned assurance work, a number of special investigations were needed during the year. A summary of the significant issues arising from completed investigations, all of which have previously been reported to the Committee, are summarised below:

- **Headteacher Recruitment Process**

An investigation was conducted into a Headteacher recruitment process. A report has been produced which recommends improvements to the processes around resignations, delegation of the recruitment process, arrangements for reporting to governing bodies, salary determination, advertising of posts, shortlisting, interview and selection processes, ratification of appointment decision and agreement of salary.

- **Section 278 Bond Monies**

Audit carried out a review following a complaint received by the Chief Executive relating to a S278 agreement between the Council and a developer. The complaint was around the release of bond monies to a third-party company appointed by the Council to act on its behalf in relation to S278 agreements. The review found that as the developer had not completed the necessary works following receipt of a Notification of Default the Council was acting in accordance with the agreement in calling on the bond.

- **School A**

An audit review was conducted after concerns were brought to Internal Audit's attention by School's Finance with regard to financial management within the School. A report was produced highlighting a number of weaknesses that were reported to the March 2019 Audit & Governance Committee. Assurance has been given that the issues will be addressed, and a final report has been issued. The individual who made inappropriate expenditure transactions has left the school and has repaid some of the monies identified.

- **School B**

An audit review was conducted after concerns were brought to Internal Audit's attention by School's Finance with regard to financial management and administration within the School. The School operated a nursery and other extended school services having taken over the adjacent children's centre, however the headteacher had identified that income had not increased to the levels expected by the increased chargeable services provided by the school. The audit review, which included the assistance of a colleague from finance, highlighted a number of errors (over 20) on debtor invoices which resulted in the need to cancel or amend invoices issued. The School had also been issuing debtor accounts in arrears for pre-school fees. Given pre-school places are agreed in advance, it would have been appropriate to issue these debtor accounts in advance and request that they are also paid in advance to reduce the risk of build-up of arrears and/or non-payment of fees. These and other issues were raised with the headteacher and the school has shown a commitment to bring about the improvements required and a disciplinary process has been conducted.

National Fraud Initiative

Internal Audit also co-ordinated the submission of data to the National Fraud Initiative. Results have been issued to the appropriate teams for investigation of the matches.

Advice

Internal audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the year therefore, the service continued to provide consultancy input into a number of topics including:

- **School Job Evaluation**

The School Finance Team requested some advisory work as they had some concerns regarding the job evaluation process for a senior member of support staff in a maintained school. Audit met with colleagues from Finance and reviewed the process followed to offer an Internal Audit perspective and suggest some control improvements that could be implemented.

- **Financial Assessments**

Internal Audit had previously completed an advisory review of financial assessments in 2017/18 for the former Director of Adult Services. There is an ongoing project on financial assessments and Internal Audit are contributing to this.

- **Cheque Image Processing**

A phased roll-out of a new image based cheque clearing system is being introduced, which is intended to speed up cheque processing. Internal Audit was asked to have an input into this and has provided advice on risks and controls, including attendance at a meeting between WCC officers and representatives of the Council's bank.

- **Tenacres First School**

Advice was provided by Internal Audit in respect of changes to the school fund accounts and controls around ensuring appropriate separation between school funds and the delegated budget.

- **Alternative Provision**

Following on from the 2017/18 audit of contract management arrangements, some advice was provided regarding monitoring providers and performance measures in response to a request from the CFC Directorate.

- **Pre- School Provision**

Advice was sought from a headteacher regarding a school's pre-school provision for which a separate bank account was held. Advice was provided around processes for receiving and accounting for income relating to the pre-school and the need to account for all income and expenditure within the delegated budget. It was agreed that the separate bank account would be closed and all activities brought under the delegated budget and the school's existing controls.

- **IR35 – SEND**

From the sample of payments reviewed for the audit of Accounts Payable, a payment to an individual engaged by a parent who had been provided with a personal budget to secure SEN provision for her son was identified. This highlighted potential HMRC (IR35) implications regarding the payments being made in this instance and more widely in respect of SEND payments. Audit have since worked with the SEND Team, including attendance at the SEND Management Team to offer further advice on how to manage this process.

- **School Journal Adjustments**

Assistance was requested in relation to Journal / Internal transfers between schools. Specifically, this was around what approvals, if any, should be provided. Advice given was that schools need to comply with the limits of delegated financial authority which are in place within each school and that

there needs to be a full audit trail in place to support journals and internal transfers, including documented records of approvals for internal transfers between schools.

In addition to the above, Internal Audit continues to attend regular meetings of various corporate groups and provides advice and guidance as required. These include the Corporate Risk Management Group and the GDPR Project Group; Internal Audit is also attending meetings relating to the Finance Improvement Plan as part of the Communication and Training work stream.

Certification

Audit has traditionally carried out a small amount of work in relation to the certification of accounts for miscellaneous County Council related funds and is required to certify a small number of grants. In total 8 accounts were cleared satisfactorily during the year.

Work has also been carried out to improve our review process of the increased number of Troubled Families claims submitted by Early Help and Commissioning. We have carried out 4 reviews on a rolling programme of 10% of the claims, to provide assurance that the claims submitted are accurate.

Effectiveness

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the Public Sector Internal Auditing Standards (PSIAS) and customer feedback.

A full externally conducted quality assessment of the shared service with Warwickshire was conducted during 2017/8. The report of that assessment states that the audit service “complies with the expectations of the Public Sector Internal Audit Standards and compares favourably to other provision within the sector.”

In accordance with best practice there is a rigorous internal review by senior staff of all work undertaken and the results feed into the staff appraisal process.



Following most audits, a “post audit questionnaire” is issued to the relevant managers asking for their views on the conduct of the audit. The questionnaire includes a range of questions covering the audit approach, reporting format, etc. A key feature of the audit role is the need to sometimes be critical of existing or proposed arrangements. There is therefore an inherent tension that can make it difficult to interpret surveys.

The post audit questionnaire responses returned continue to be good with the average score from all surveys relating to Worcestershire returned during 2018/19 being 4.81 out of a maximum of five, and a number of positive comments and compliments about the service provided have been received, including:

- Very professional and timely.
- Very professional and constructive challenge.
- It was conducted with the upmost professionalism! My team and I were made to feel supported as opposed to being criticised. The auditor was extremely knowledgeable of 'how we do things' together with showing empathy towards the issues we have recently been faced with. I totally agreed with the issues raised.
- The auditor has been extremely helpful in the statutory accounts work, providing clear guidance and direction on improvements and errors.
- Ability to give the files across easily and the speed of the audit of the accounts, also able to discuss and resolve any issues quickly.
- The advice given was clear, concise and very informative.
- Based on true facts with supporting evidence. It was a thorough investigation.
- Came up with practical suggestions that yielded real improvement.
- The auditors were very flexible and helpful.
- Just wanted to drop you a quick note to thank you very much for the effort and professionalism you put into the recent misconduct hearing we were both involved in. I do not underestimate the amount of work that goes into these cases and by nature it is not easy.
- The opportunity to be a joint partner in the process in relation to joint conversation about contracts to be considered and face to face discussion about findings.
- The audit process was very clear in terms of scope and duration/timeline.
- Thank you so much for your professional assistance with the audit.
- I wanted to thank you for all of the support you have provided to us in previous years which has always been very much valued and appreciated.
- The auditor was able to attend meetings and gained an understanding of the process from the outset, and therefore advice was based on knowledge of the whole process and requirement.
- Clear and detailed, with a really quick turn round.
- Audit requirements were made clear & I received quick responses to my questions.
- The team looked at school in a holistic manner and were supportive and understanding.
- I would also like to pass on a thank you to the auditor as she was very patient with her requests given how busy we have been and was clear on what she needed throughout, which is what I needed.
- Very professional, efficient and Grant certified within deadline.
- Conducted in a timely manner in order to meet the appropriate deadlines and as required by the Government office concerned.

These comments are consistent with the comments received across all clients which include:

- The review was conducted in a very professional, efficient and friendly manner by the auditor.
- This was a professional and comprehensive investigation, I was regularly updated on progress.
- A very open and transparent process. Nothing could have been done better.
- Regular contact with relevant questions being asked. Audit completed quickly and with a short timescale due to a tight deadline.

- Good analysis of issues in logical evidenced way. Constructive approach.
- The personable approach given by the auditor – it was supportive and not pre-judging.
- Thank you so much for all the work you have done on these accounts and in the very short term period you were given. It truly is very much appreciated.

It is clearly important for any audit service to keep abreast of best professional practice. The audit service is fortunate in having strong links with colleagues both within the Midlands and nationally. The Service has a group membership to the Institute of Internal Auditors providing its staff with technical and professional support. At a regional level there are networking opportunities for auditors specialising in adult social care, fraud and police. As well as good opportunities for continuing professional development and sharing best practice these activities provide advance information on new developments which can be reflected in the audit plan.

The Authority can be confident that a good practice quality internal audit service has been provided.

Opinion

It is the responsibility of the County Council to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under PSIAS to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment) and a summary of the audit work from which the opinion is derived.

No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The work of Internal Audit is intended only to provide reasonable assurance on controls.

In assessing the level of assurance to be given, I have taken into account:

- all audits completed during the year;
- audits which are in draft and where a management response is awaited;
- any follow-up action taken in respect of audits from previous periods;
- any fundamental recommendations not accepted by management and the consequent risks;
- anticipated outcome from audits currently in draft;
- the effect of non-assurance work undertaken during the year;
- the outcome of work undertaken by other assurance providers in respect of Liberata and Place Partnership;
- the effect of any significant changes in the Authority's systems; and
- matters arising from previous reports to Members.

The Council continues to face a number of significant challenges including responding to general financial pressures, the statutory improvement notice and the setting up of an Alternative Delivery Model for Children's Services, securing

compliance with GDPR and the issues arising from the implementation of new financial and HR systems. These issues, which impact on the Council's control environment, continue to be actively managed and audit work highlights that improvements have been or are in the process of being made.

Some significant issues have arisen during the year but action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified they have tended to relate to specific parts of the organisation rather than an across the board breakdown in controls. However, some significant issues have arisen during the year from internal audit work on financial systems which have broader impact. On this basis my opinion is that the Authority's control environment provides moderate assurance that the significant risks facing the Authority are addressed.

G Rollason
Head of Internal Audit

12th April 2019

Appendix A: Summary of audits completed during the year.

Audit		Level of Assurance
	Adult Services	
1	Domiciliary Care- Billing and Charging	Substantial
2	Learning Disability	Moderate
3	Safeguarding	Substantial
4	Transitions Children to Adult Social Care	Substantial
	Children Families & Communities (CFC)	
5	Fort Royal	Moderate
6	Offmore Primary	Limited
7	LAC Placement and Placement Spend	Substantial
8	Foster Payments	Substantial
9	Adoption	Moderate
10	Learning & Achievement #	Substantial #
11	School Themed Audit - Budget management, payroll, procurement, ordering and creditor payment processes	Limited
12	School Themed Audit – Schools in Financial Difficulties	Limited
13	Alternative Delivery Model	Substantial
	Economy & Infrastructure	
14	ERDF	Substantial
15	Design Services (Halcrow)	Substantial
16	Approval of Development	Substantial
17	Transport (incl SEND)	Moderate
	Commercial & Commissioning	
18	Performance Management	Substantial
19	Data Centre Security #	Limited #
20	IT Cyber Security #	Moderate #
21	IT Governance	Substantial
	Public Health	
22	Commissioning and Contracting	Moderate
	Corporate	
23	Transformation & Savings Plans	Moderate
	Finance	
24	Treasury Management	Substantial

Audit		Level of Assurance
25	Bank Reconciliation	Moderate
26	Pensions - Administration	Substantial
27	Accounts Payable	Limited
28	Accounts Receivable #	Limited #
29	General Ledger #	Moderate #
	Local Enterprise Partnership	
30	WLEP – Assurance Framework	Substantial

Denotes those audits where the draft report has been issued.

Published reports, subject to redactions, can be accessed by the following [Link](#)

Appendix B: Summary of Limited Assurance Audits Not Previously Reported to the Committee

1.Completed Audit

Accounts Payable (Client Function)

Liberata UK Limited is contracted to deliver Transactional HR, Payroll & Finance services on behalf of the Council including providing an accounts payable (creditor payments) service. However, some of the controls associated with the creditor payments system continue to operate within the Council, such as the approval of purchase orders and goods receipting. This review concentrated on those controls which continue to operate within the Council, including initiating and approving purchase orders and verifying satisfactory receipt of goods and/or services. The audit of processes within Liberata is the responsibility of their internal auditors.

The review identified the following key concerns:

- Acknowledged control weaknesses highlighted in the 2017/18 IA Report have not been addressed as suggested in the management responses. These are restated in this Report.
- 38% of all supplier invoices paid between 1st April and 30th November 2018 were processed against retrospectively raised purchase orders.
- Between 1st April and 30th November 2018, there were 45 instances where the value of invoices posted against framework orders exceeded the value of the order raised.
- CHAPS payments are used in instances where payroll deadlines are missed and for relatively low value transactions, incurring unnecessary costs and administration.
- Explicit assurance has not been received from Liberata to confirm that the controls within the process of entering and amending supplier bank account details are operating effectively.
- Appropriate checks regarding the employment/tax status of individuals paid as creditors are not consistently conducted in accordance with the Council's guidance to ensure such payments do not breach HMRC IR35 rules.

The report has been agreed by the appropriate officers. Responses have been received with action plans for implementation of the recommendations made, agreed action dates and responsible officers. Progress on the implementation of the recommendations will be followed up.

2. Audits where management comments are awaited on draft reports

Accounts Receivable

The accounts receivable functions carried out by Liberata are subject to review by their Internal Auditors therefore the focus of the audit was the areas that continue to be controlled by the Council.

Issues identified during the audit include:

- The majority of the management actions received in response to the previous audit report have a target date for implementation of 31/03/2019. Although some action has been taken work is still required to ensure that the recommendations have been actioned in full.
- There is a lack of evidence that debts are raised promptly following the supply of goods or services in line with the process set out in the Debt Management Responsibilities of Budget Holder document.
- A report of all invoices marked with a dispute code on E5 is provided by Liberata with the Aged Debt report. However, there is no system in place to notify the relevant issuing officers or budget holder that these debts are still outstanding.
- There is only limited evidence of proactive chasing of debts by Worcestershire County Council staff outside of the standard reminder process operated by Liberata.
- The calculated provision for bad debt provided on the aged debt analysis report provided by Liberata is significantly higher than the actual provision reported in the accounts.

Data Centre Security

The details of this audit are exempt and are set out in Appendix D.

Appendix C: Audits with Overdue Recommendations at 31 March 2019

	Number of Recommendations								
Audit	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			Response Rec'd Y/N
						0 to 3	3 to 6	Over 6	
Adult Services									
Continuing Health Care	5	0	0	4	0	0	0	1	Y
Direct Payments – Adults	5	0	0	4	0	0	1	0	Y
Adults Case Files	7	0	0	2	3	2	0	0	Y
Mental Health s75 agreement	12	0	0	2	0	10	0	0	Y
Commercial & Commissioning									
ICT Infrastructure	16	0	0	15	0	0	0	1	Y
Contract Management	11	0	0	4	0	3	1	3	Y
ICT – Cyber Risk and Security	5	0	0	3	0	2	0	0	Y

Audit	Number of Recommendations								
	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			Response Rec'd Y/N
						0 to 3	3 to 6	Over 6	
Information Management	6	0	0	3	0	0	0	3	Y
ICT Software Licensing (16-17)	2	0	0	0	0	0	0	2	Y
Agency Staffing	7	0	0	6	0	0	1	0	Y
Procurement	14	0	0	9	0	2	3	0	Y
Health and Safety	5	0	0	0	1	1	2	1	Y
ICT Disaster Recovery Arrangements	4	0	0	1	0	3	0	0	Y
Economy & Infrastructure									
Design Services	9	0	0	6	2	1	0	0	Y

	Number of Recommendations								
Audit	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			Response Rec'd Y/N
						0 to 3	3 to 6	Over 6	
Childrens Services									
Direct Payments – Children	8	0	1	1	0	0	0	6	Y
Foster Payments	6	0	0	5	0	0	0	1	Y
School Visits - St Catherine's CE Primary School	8	0	0	7	0	0	0	1	N
School Visits - Lindridge	8	0	0	7	0	0	1	0	N
School Visits - Offmore Primary School	15	0	0	12	0	0	3	0	N
School Visits – School A	19	0	0	0	0	19 (4 fundamental)	0	0	N
Finance									
Accounts Payable	7	0	0	6	0	0	1	0	Y

	Number of Recommendations								
Audit	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			Response Rec'd Y/N
						0 to 3	3 to 6	Over 6	
Feeder Systems	6	0	0	5	0	0	1	0	Y
Capital Expenditure	8	0	0	7	0	0	0	1	Y
Treasury Management	2	0	0	1	0	1	0	0	Y
Pensions									
Pensions Investment	3	0	0	2	0	0	1	0	Y
	198	0	1	112	6	44	15	20	

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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AUDIT AND GOVERNANCE COMMITTEE

29 JULY 2019

INTERNAL AUDIT PROGRESS REPORT -

JULY 2019

Recommendation

- 1. The Chief Financial Officer recommends that the Internal Audit Progress Report attached as an Appendix is noted.**

Background

2. The attached progress report summarises Internal Audit work undertaken from 1 April to 30 June 2019 for consideration by the Committee.

Key issue to note

3. Six audits have been completed in the first quarter of 2019/20 with one 'limited' assurance. In addition two reports have been issued in draft and a further six audits started.
4. The report also identifies two additions to the Audit Plan. A new Chief Internal Auditor has been appointed and the system is due to go live in August 2019. At the same time additional resources is being sourced on a temporary and permanent basis to ensure delivery of the Plan in year.
5. The main issue Committee have had particular focus on is the progress of recommendations. The attached report sets out that the total of recommendations outstanding have fallen by 16 and all of request for responses were received.
6. A detailed analysis of the recommendations overdue has been undertaken, and of the 69 - 33 are greater than 6 months overdue. However, 25 (76%) relate to delays in relation to third parties - Schools (15) and the sign off of the s75 agreement with health partners. In total 30 (43%) of the 69 recommendations outstanding relate to schools. All four schools are facing changes and governors have been contacted and further follow up is ongoing.
7. Of the remaining 29 recommendations not relating to Schools or s75, 13 are due to be implemented by 30 September 2019, for seven of those 13 this will only be 3 months behind the original date. A further four of the 29 will be implemented by 31 March 2019 and the original implementation date has been assessed as unachievable. That leaves 12 (29-13-4=12) that are overdue, and only one of the 12 is overdue by more than a year – Home working data security.

8. Overall this level of understanding and compliance is a significant improvement from 12 months ago and we continue to review the progress with SLT and Internal Audit.

Contact Points

County Council Contact Points

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Worcestershire Hub: 01905 765765

Specific Contact Points for this report

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Supporting Information

- Appendix - Internal Audit Progress Report.

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

Previous quarterly update reports to the Audit and Governance Committee.



Internal Audit Progress Report July 2019

"Providing assurance on the management of risks"

Internal Audit Progress Report

“Providing assurance on the management of risks”

This report summarises the results of the Internal Audit work carried out since 01 April 2019.

The Internal Audit Annual Report 2018/19 reported as a separate agenda item to this Committee contains details of the audit work undertaken during 2018/19 since the last progress report to the Committee on 15 March 2019.

Summary of completed assurance work

2019/20 Plan

The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits will be given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited, Moderate, Substantial and Full. The opinion reflects both the design of the control environment and the operation of controls.

Table 1 summarises the results of the assurance work completed for the first quarter (1 April to 30 June 2019) and the opinion given.

Table 1: Summary of completed audits quarter 1 2019/20

Audit		Level of Assurance
Children Families & Communities (CFC)		
1	Blakedown CE Primary School	Moderate
2	Chadsgrove School	Substantial
3	Finstall First	Substantial
4	Pitcheroak School	Moderate
Commercial & Change		
5	Procurement	Limited
6	Worcestershire Councillors' Divisional Funds	Substantial

One of these audits Procurement has been given a limited opinion. This audit was considered by the Strategic Leadership Team on 28th May 2019 and a summary of the key issues arising is given in Appendix A.

Draft reports have also been issued in respect of the following audits:

- Wolverley CE Secondary School
- Information Governance

The audits started in the quarter and currently in progress are:

- Winter Service
- Destruction of Confidential Waste
- Adults Social Care Establishment visits (cash handling)
- Project Management
- Section 75 agreements
- Appointees and Deputies

2018/19 plan

Work has continued with completing the 2018/19 audits. The following audits reported as draft in the Internal Audit Annual Report 2018/19 (see separate agenda item) have now been issued as final reports:

- Learning & Achievement (Substantial)
- Accounts Receivable (Limited)
- General Ledger (Substantial)
- Data Centre Security (Limited)
- IT Cyber Security (Moderate)

Draft reports have been issued for the following audits:

- Payroll
- Counter Fraud Governance Arrangements
- Corporate Governance

Summary of non-assurance work

Counter Fraud

The size and complexity of the County Council means that some irregularities are inevitable, and therefore, in addition to planned assurance work, a number of special investigations are needed each year and since the last report the following investigations have commenced:

- Internal Audit have investigated an anonymous whistleblowing allegation that a member of staff in a school had awarded premises contracts to a supplier who had also undertaken private work for the member of staff concerned which was paid for from the delegated school budget. A draft report has been issued to the school's Chair of Governors.

- Internal Audit has been asked to review hours claimed by staff in certain areas of the business.

Updates on these investigations will be provided to future Committee meetings.

National Fraud Initiative

Internal Audit have issued the results of the matches to the appropriate teams for investigation. The service areas will review the data and assess the matches for further investigation as appropriate. A further report will be brought back to this Committee at a later date when more benchmarking data is available.

Certification

The period saw the following grant claims requiring certification being audited satisfactorily by the required deadline:

- Growth Hub Funding to Local Enterprise Partnerships (LEPS)
- Youth Justice Board Grant

An audit of the Kidderminster Trust Fund accounts has also been completed.

Advice

Internal Audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the period the service has provided an input to various corporate projects and this work is consistently welcomed by managers.

Since the last Progress Report, the following advisory work has been undertaken:

Quality Review of 2018/19 Statement of Accounts and Pension Fund Accounts

A quality review of both the 2018/19 Statement of Accounts and the Pension Fund Accounts was undertaken to identify errors, omissions and inconsistencies.

Checks undertaken included:

- a consistency check of the 2017/18 figures included as comparative figures in the 2018/19 financial statements to the 2017/18 published accounts;
- Completeness check to ensure all notes listed are included in the financial statements;
- Agreement of totals reported in prime statements to breakdown of values in corresponding notes;
- Casting of all financial information to confirm that column addition totals are correct and that values reported in tabular formats cast correctly horizontally and vertically;
- Review for omitted items, considering items included in 2017/18 accounts as well as notes where 2018/19 figures are missing; and
- Reasonableness check of financial information disclosed in narrative notes to ensure consistency with figures in prime statements and notes.

Review of Annual Governance Statement (AGS)

A review of the Annual Governance Statement process was undertaken including an assessment against best practice (CIPFA Delivering Good Governance in Local Government Framework). A report suggesting a number of recommendations for enhancement to the process was produced.

Schools Advice

We have responded to a number of requests for advice from schools. These have included the following:

- The use of PayPal accounts;
- School Fund Accounting arrangements;
- Sales of obsolete school equipment; and
- Goods receipting separation of duties arrangements.

In addition to the above, Internal Audit continues to:

- attend regular meetings of various corporate groups and provides advice and guidance as required. These include the Corporate Risk Management Group and Corporate Information Governance Group;
- Internal Audit is also attending meetings relating to the Finance Improvement Plan as part of the Communication and Training work stream and the Adults Finance and Change Board.

Plan changes

The Council continues to face significant level of change, such as LiquidLogic, OFSTED Inspection and Worcestershire Children First, and the audit plan has to be responsive to changes in risks. In year changes to the plan to reflect changed circumstances are accepted best practice.

Progress on completion of the 2019 /20 plan has also been affected by vacancies, the transfer back in house and the implementation of the audit system. However, as detailed in covering letter to the Internal Audit Report also on this agenda, a Chief Internal Auditor has been appointed (Jenni Morris) and although not formally in post until 01 August 2019, she has recruited interim resources to address the shortfall whilst permanent solutions are determined.

The following additions to the plan agreed by the March Audit & Governance Committee have been agreed with the Chief Financial Officer:

- Appointee and Deputies
- Final Accounts Quality Review

Performance

An IT system has been procured and is being rolled out across the function. As a result there is limited performance information for this quarter's report. The key information is in relation to recommendations outstanding. At the last Committee we identified that 82 actions were due or outstanding by 31st March 2019. At the end of quarter 1 there were 69 recommendations overdue the agreed implementation date, this includes some of those within the 82 reported last time but also takes account of the recommendations due also after 1st April and up to 30th June. A detailed analysis is shown in Appendix A, and the summary position is:

	Number of Recommendations								
Audit	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			June Rec'd Y/N
						0 to 3	3 to 6	Over 6	
Adult Services									
3 Audits	23	0	0	8	0	0	5	10	Y
Commercial & Commissioning									
6 Audits	47	0	0	29	6	4	4	4	Y
Economy & Infrastructure									
3 Audits	21	0	0	14	1	2	4	0	Y
Childrens Services									
2 Audits	12	0	1	7	0	0	1	3	Y
School Audits	37	0	0	7	0	0	15	15	Y
Pensions									
Pension Investment	3	0	0	2	0	0	0	1	Y
WLEP									
WLEP Assurance Framework	2	0	0	1	0	1	0	0	Y
Total	145	0	1	68	7	7	29	33	

Summary of Limited Assurance Audits Not Previously Reported to Committee

Procurement

The scope of the audit included the following areas:

- The extent to which previous Internal Audit recommendations have been addressed.
- Procurement policies and procedures are in place which are in line with relevant legislation and these are complied with.
- Arrangements to ensure that the award of contracts is approved in accordance with limits of delegated authority; they provide value for money and this can be demonstrated.
- Processes for approving and recording exemptions from Contract Standing Orders.

Our key concerns are as follows:

- A consultancy engagement, which was initially a short term arrangement, has been extended 3 times and remains ongoing. The initially agreed timescales and costs have been substantially exceeded.
- The sign off of APPS (Application to Procure Professional Services) forms, require a manual/wet signature. This has the potential to be snipped into the document rather than being signed by the authoriser.
- Under the Public Contracts Regulations, for Dynamic Purchasing System (DPS), contract award notices must be published, however this has not been the case in all instances.
- Where cost and quality are evaluated in different weightings to those prescribed in the Procurement Code, there is not always a record to confirm that this has been approved, which is required under existing procedures.
- There is some ambiguity over what level of approval is required for exemptions.
- There is a poor audit trail to facilitate effective tracking and monitoring of exemptions from Contract Standing Orders.

The report has been agreed by the appropriate officers. Responses have been received with action plans for implementation of the recommendations made, agreed action dates and responsible officers. Progress on the implementation of the recommendations will be followed up.

Appendix B: Audits with Overdue Recommendations at 30 June 2019

Page 30

	Number of Recommendations								
Audit	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			June Rec'd Y/N
						0 to 3	3 to 6	Over 6	
Adult Services									
Adult Case Files (2018)	7	0	0	5	0	0	2	0	Y
Learning Disability	4	0	0	1	0	0	3	0	Y
Mental Health S75 Agreement	12	0	0	2	0	0	0	10	Y
Commercial & Commissioning									
Agency Staffing	7	0	0	6	0	0	1	0	Y
Information Management	6	0	0	3	0	0	0	3	Y
Contract Management	11	0	0	5	3	1	1	1	Y

	Number of Recommendations								
Audit	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			June Rec'd Y/N
						0 to 3	3 to 6	Over 6	
Procurement (issued July 2018)	14	0	0	12	0	2	0	0	Y
Health & Safety	5	0	0	3	0	1	1	0	Y
Performance Management	4	0	0	0	3	0	1	0	Y
Economy & Infrastructure									
Transport Including SEND	7	0	0	6	0	0	1	0	Y
Approval of Development	5	0	0	1	0	2	2	0	Y
Design Services	9	0	0	7	1	0	1	0	Y
Childrens Services									

	Number of Recommendations								
Audit	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			June Rec'd Y/N
						0 to 3	3 to 6	Over 6	
WLEP Assurance Framework	2	0	0	1	0	1	0	0	Y
	145	0	1	68	7	7	29	33	

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AUDIT AND GOVERNANCE COMMITTEE

29 JULY 2019

CORPORATE RISK REPORT

Recommendation

1. **The Audit and Governance Committee is requested to:**
 - a) **note the latest update of the Corporate Risk Register (Appendix) including mitigating actions identified in respect of red risk; and**
 - b) **Agree to Risk Reports being received on a quarterly basis.**

Background

2. 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.
3. At the end of Quarter Four 2018/19 there were 127 individual risks entered in the risk register of which 14 were identified as high / "red" risks. The risks in the register have been reviewed significantly since Q2 2018/19 (when 187 risks were reported) and risks that no longer exist have been removed, whilst similar risks entered multiple times by different directorates have been rationalised.
4. The Appendix provides an overview of risks identified at the end of Quarter Four 2018/19, and more detail about the highest risks. Individual risks have been grouped for the purposes of reporting here. The highest risks have been grouped into five risk areas, following discussion by the Corporate Risk Management Group (CRMG) and the Performance and Transformation Board, and are included below with a brief summary of mitigating activity:
 - a) **Safeguarding vulnerable children** – delivery of the service improvement plan for Children's Social Care and the implementation of Worcestershire Children's First. Dedicated team to support implementation of new social care case management system.
 - b) **Education** – review of schools with budget deficits, agreement and implementation of the Special Educational Needs and Disability (SEND) Improvement Plan, supporting schools to the propose of any school organisation change

- c) **Service for vulnerable adults** – roll out of the Three Conversations model by Adult Social Care, monitoring of care market and workforce availability to identify areas of risk, monthly monitoring of service and directorate budgets
- d) **Compliance management of the council's estate** – capital investment of £1m agreed to carry out survey, assessment and remedial works, all risk assessments and surveys for asbestos, fire and water carried out and up to date for 2018/19
- e) **Business continuity response to major event** – business continuity portal (part of Resilience Direct) established and updated with all critical business continuity plans, review of corporate business continuity plan agreed for 2019/20 including a planned exercise to test key elements, agreement with NHS England for supply of face masks for front line workers in the event of pandemic

Two further risk areas that have previously been reported as high / "red" are highlighted as medium / "amber" following significant mitigating activity during 2018/19:

- f) **Financial control** – program of rapid cost saving measures delivered in 2018/19 significantly reduced overspend projected mid-year, review of reserves and financial standing undertaken by Director of Finance, new financial and budget monitoring system ready for roll out in 2019/20, rationalisation of cost codes to simplify budget monitoring and promote further accountability, commercial review of contract review, tail-spend and payment terms initiated. Overspend at end of 2018/19 was approximately £2m (compared with the 2018/19 mid-year projected overspend of over £15m).
- g) **Staff capacity, capability and productivity** – dedicated social work recruitment team for children's and adult social care, organisational redesign underway including staff engagement around performance and productivity. Permanent staffing in social work posts was at a high of 83% at the end of 2018/19 (compared with 59% in February 2018).

5. The Appendix provides more detail about these risks and details of the steps in place to mitigate them.

6. At present this Committee receives reports on a six-monthly basis however it is proposed that reports be made on a quarterly basis in line with reporting to Cabinet.

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Specific Contact Points for this report

Rob Morris (Management Information, Analytics and Research Manager)

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Rmorris2@worcestershire.gov.uk

Supporting Information

- Appendix – Corporate Risk Update

Background Papers

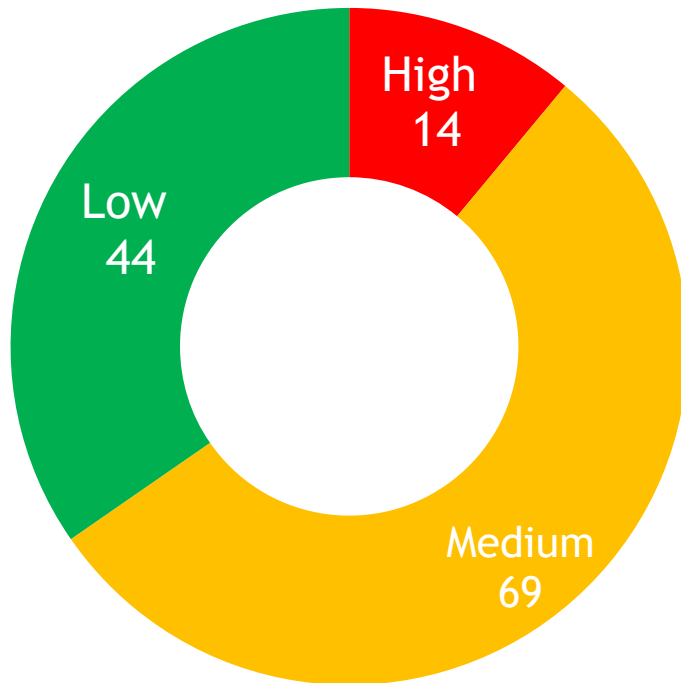
In the opinion of the proper officer (in this case the Management Information, Analytics and Research Manager) the following are the background papers relating to the subject matter of this report:

WCC Corporate Risk Register

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PROFILE OF CORPORATE RISK REGISTER

The Council's Risk Register provides an overview of all major risks across the organisation. The chart below gives a snapshot as at the end of Quarter Four - 2018/19. There are 127 risks, of which 14 are scored by directorates as high.



High Risks by Directorate

Children, Families and Communities	5
Adult Services	3
Public Health	2
Economy and Infrastructure	3
Chief Executive	1

CORPORATE RISK AREAS

IDENTIFYING CORPORATE RISKS

- Corporate risk areas are identified by
 - Aggregating similar themes of risk present across multiple directorates in the risk register
 - Identifying specific risks at directorate level that have potential to impact on the wider council
 - Identifying specific risks at directorate level that could be mitigated by actions in other directorates
- The following pages show the current corporate risk areas
 - Vulnerable children
 - Education
 - Services for vulnerable adults
 - Financial control
 - Staffing
 - Management of the county estate
 - Business continuity response to major event

CORPORATE RISK AREAS

FAILURE TO SAFEGUARD VULNERABLE CHILDREN

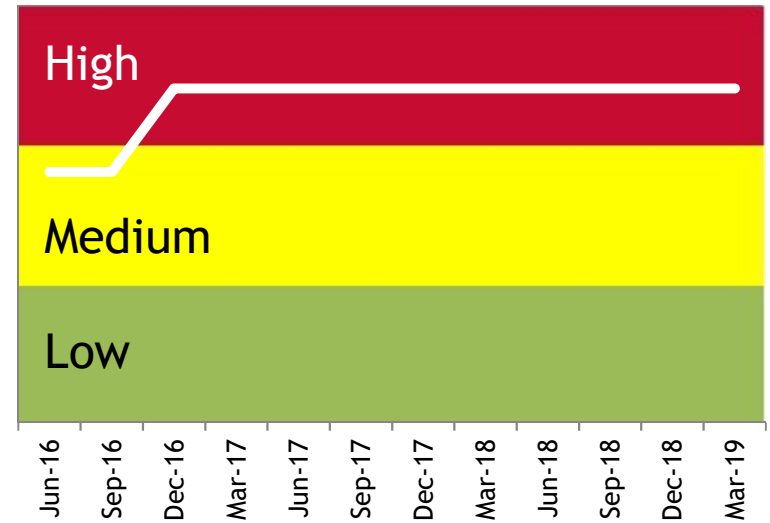
Q4 2018/19

WHY IS THIS AREA OF RISK RED?

- This area of risk is rated Red primarily due to issues identified around safeguarding children which are being addressed by the Council's Service Improvement Plan

MITIGATING ACTIONS

- Accommodation for Care leavers priority of Worcestershire Safeguarding Children Board (WSCB), led by Lead Member and supported by District Councils.
- Supply of placements for Children in care priority of Service Improvement Plan.
- Procurement of additional capability and capacity to support implementation of wholly owned Council Company.
- Project manager in place to oversee the case management system replacement.



WHAT NEXT?

Implementation of Worcestershire Children's First.

CORPORATE RISK AREAS

FAILURE TO PROVIDE A GOOD EDUCATION FOR ALL WORCESTERSHIRE CHILDREN

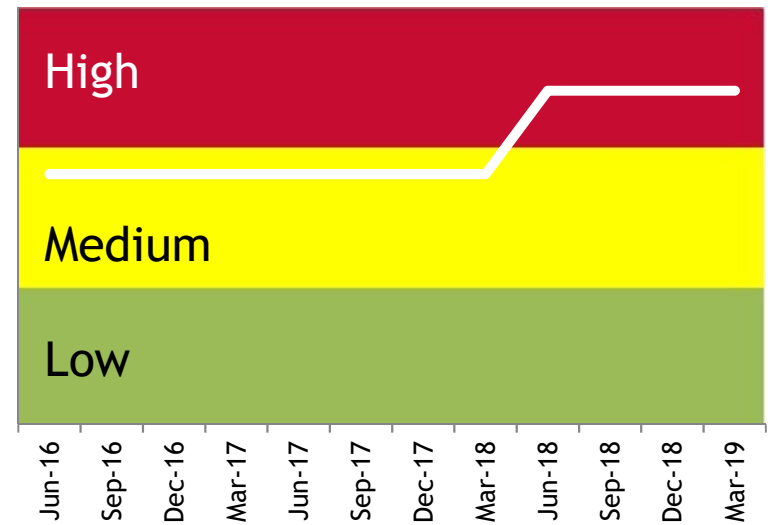
Q4 2018/19

WHY IS THIS AREA OF RISK RED?

- This area of risk is rated as red due to financial pressures on schools, changes to school organisation, and OFSTED / CQC letter outlining areas for improvement for children with SEND.

MITIGATING ACTIONS

- Effective communication of our policy on supporting middle schools to the proposer of any changes to school organisation.
- To work with the Regional School Commissioner to ensure they are aware of our policy.
- Schools with significant deficit budgets to undergo a whole school review led by Assistant Director Education and Skills.
- SEND Improvement Action Plan has been agreed and Improvement Board established. There are five workstreams including
 - The local offer
 - Embedding the graduated response
 - Assessment and planning
 - Joint commissioning and leadership
 - Workforce and engagement



WHAT NEXT?

Implementation of Worcestershire Children's First.

Delivery of the SEND Improvement Action Plan

CORPORATE RISK AREAS

FAILURE TO PROVIDE SUFFICIENT SERVICES FOR VULNERABLE ADULTS

Q4 2018/19

WHY IS THIS AREA OF RISK RED?

- This area of risk is rated Red due to the challenges of an ageing population and increasing numbers of people with severe levels of disability, delays in hospital discharges, lack of affordable capacity in residential and nursing homes in Worcestershire, and resulting pressures on services

High

Medium

Low

Jun-16 Sep-16 Dec-16 Mar-17 Jun-17 Sep-17 Dec-17 Mar-18 Jun-18 Sep-18 Dec-18 Mar-19

MITIGATING ACTIONS

- The Three Conversations Model introduced by Adult Social Care has been rolled out across all Area Social Work teams and the operational services structure amended to maximise the potential for prevention and delay of care packages.
- Use of block contracts for residential/nursing care is being monitored closely with outcomes used to inform future commissioning. Financial status of care home providers is being reviewed to identify high risk areas. Workforce availability is being monitored.
- Monthly monitoring of service and directorate budgets at DAS DLT, and reporting of integrated and pooled budget arrangements to ICEOG on monthly basis.
- Additional government funding received for winter pressures

WHAT NEXT?

- Further extension of the Three Conversation model to Learning Disability and Mental Health services.
- 2019/20 budget approved with significant growth element
- Continuing work with NHS partners to support acute and community hospitals.
- Working with Peopletoo to improve effectiveness of reablement and intermediate care to reduce demand.
- Assistive technology pilot rolled out to Malvern

CORPORATE RISK AREAS

INADEQUATE FINANCIAL CONTROL

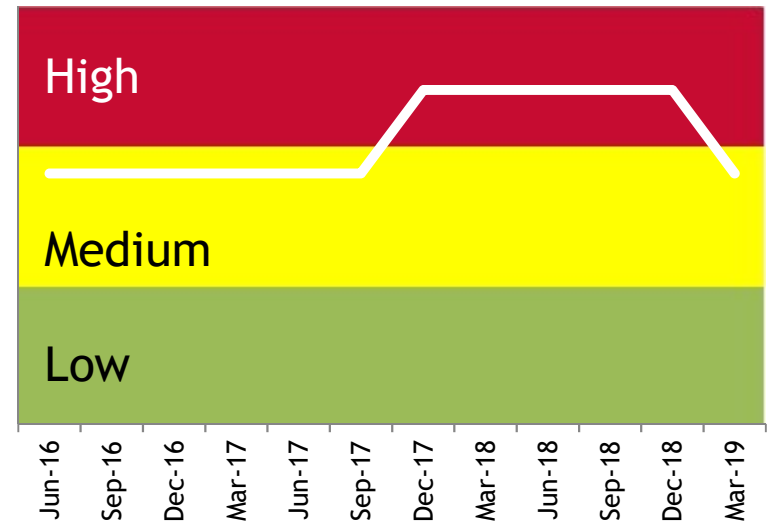
Q4 2018/19

WHY IS THIS AREA OF RISK AMBER?

- Rapid cost saving measures in 2019/20 have reduced overspend and the council's budget monitoring system is being rolled out. There remains significant risk to adequate control around spend and the ability of the council to meet the challenge of budget pressures.

MITIGATING ACTIONS

- A review of reserves and financial standing has been undertaken by the Director of Finance and will continue to be reviewed.
- The Council's new financial and budget monitoring system has been piloted across WCC and supported by finance officers, ready for roll out in 2019/20.
- Regular monitoring reports brought to Cabinet during 2018/19, with recommendations for actions to address any forecasts as appropriate.
- Programme of significant and rapid cost saving measures (just do its) delivered, including Christmas Leave, vacancy management, closing graduate and apprentice programme, VR programme. Significant reduction in overspend compared with projected mid year figure.
- Commercial programme of contract reviews, tailspend review (inc p-card review) and payment terms initiated.
- Review and rationalizing of cost codes to ensure accountability and simplify budget management for budget holders.
- Budget agreed at full council in February 2019.



WHAT NEXT?

Roll out of Finance Improvement Programme is underway to strengthen controls and skills.

CORPORATE RISK AREAS

INSUFFICIENT STAFF CAPACITY, CAPABILITY AND PRODUCTIVITY

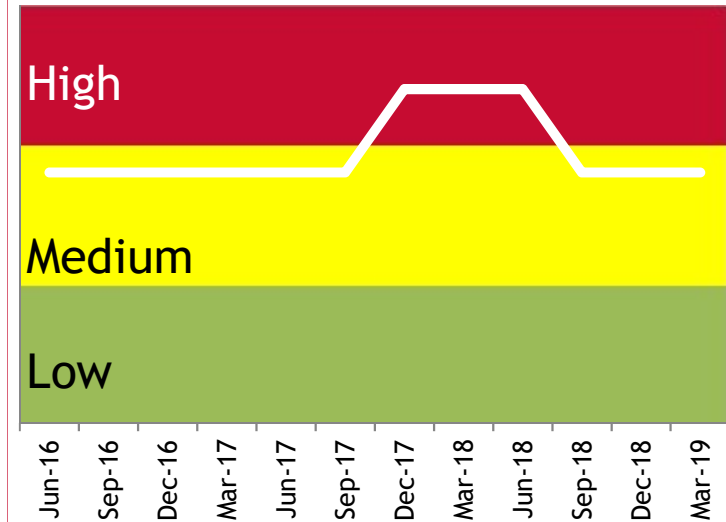
Q4 2018/19

WHY IS THIS AREA OF RISK AMBER?

Improvements in recruitment in key positions (social workers and SLT) have reduced this risk but threat to staff satisfaction, productivity, and ultimately retention of appropriate skills due to 35 hour / 37 hour week, change in scope to WCF, and uncertainty around finances.

MITIGATING ACTIONS

- A dedicated social work recruitment team, based in the Council, is in place. It covers both adult and children's social work and other adult social care posts. Initiatives have included working with operational services to recruit at job fairs and target newly qualified workers.
 - 219 applications during 2018/19.
 - Permanent staffing now 83% from a low of 59% in February 2018
 - Social worker turnover is at 15% (slightly higher than the low of 11% in October 2018) but 24% lower than 12 months ago.
- A new "Leave the Big City behind" campaign has been launched. This aims to promote the benefits of living and working in Worcestershire, and makes use of social media to raise the profile of the County.
- All SLT positions now filled.
- Business continuity plans identify the steps that will be taken to maintain critical services when there are staffing shortages.
- Organisational redesign underway including significant staff engagement around performance and productivity.



WHAT NEXT?

- Review the approach being taken to key "hotspots" where recruitment and retention are particularly difficult
- Corporate business continuity strategy to be updated over next 3 months to include consideration of skills and capacity in critical services.

CORPORATE RISK AREAS

INSUFFICIENT COMPLIANCE MANAGEMENT OF COUNCIL ESTATE

Q4 2018/19

WHY IS THIS AREA OF RISK RED?

This area of risk is rated RED due to an ageing estate and ongoing maintenance programme requiring continuous focus to ensure the estate is and remains compliant. Gaps have been identified which are now in the progress of being addressed.

MITIGATING ACTIONS

- A programme of work has now been identified by PPL to address current gaps.
- A capital investment of circa £1m has been instructed to carryout risk assessment, survey and remedial works.
- A working group has been set up to over see the works which is currently meeting fortnightly to assess progress and expenditure
- All schools surveyed. High risk asbestos removed, management and removal of residual asbestos ongoing. Education skills and funding agency (ESFA) asbestos mapping assurance process (AMAP) survey has been conducted (majority of noncompliance is down to management issues being dealt with - e.g. training).
- Carried out risk assessments and surveys for asbestos, fire and water to bring up to date and required standard during FY 2018/19

High

Medium

Low

Jun-16
Sep-16
Dec-16
Mar-17
Jun-17
Sep-17
Dec-17
Mar-18
Jun-18
Sep-18
Dec-18
Mar-19

WHAT NEXT?

- Continuous focus will be maintained to ensure compliance is maintained
- Further works will be identified and added to the 19/20 capital works programme
- Improved reporting model will be implemented

CORPORATE RISK AREAS

BUSINESS CONTINUITY RESPONSE TO MAJOR EVENT

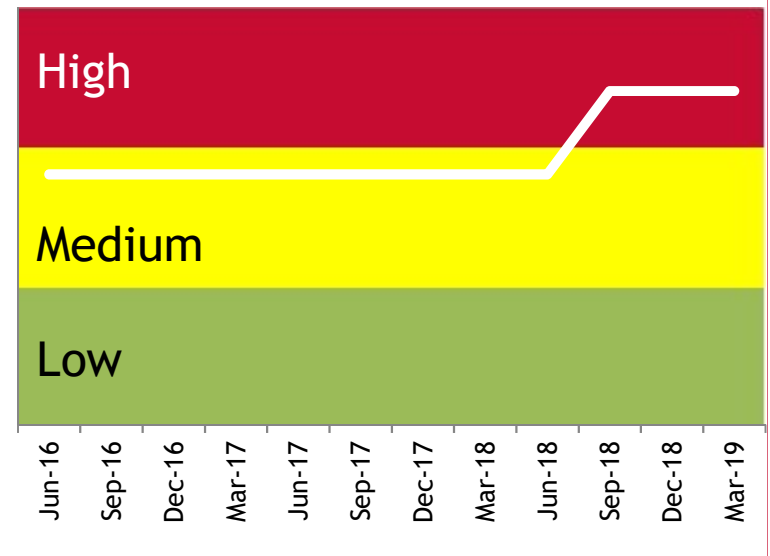
Q4 2018/19

WHY IS THIS AREA OF RISK RED?

- The ability of the council to appropriately deliver against business continuity plans as the organisation shrinks in size. In particular - the council's resilience to loss of staff or unanticipated increase in demand resulting from flooding, accident, pandemic, terrorist activity, Brexit or system loss.

MITIGATING ACTIONS

- Council wide business critical services are defined and BCPs reviewed annually by the CRMG on behalf of the Performance Board.
- Business continuity plan (BCP) hub established on Resilience Direct for off-site storage of critical business continuity plans
- The County Council's response to a flu pandemic will be governed through its business continuity arrangements and through making key contributions to a multi agency response.
- Communications for winter weather event delivered (including lessons learnt from last year)
 - Advice on travel
 - Use of remote working
- Social care case management system - major project to deliver the transition from Fwi to Liquid Logic.
- Agreement with NHS England for the supply of PPE (face masks) for front line staff during pandemic.



WHAT NEXT?

- Critical BCPs to be reviewed (stored on Resilience Direct) to identify areas without sufficient resilience to significant staff losses, or increased demand.
- WCC PH EP delivered a Pan Flu scenario BCP exercise to Worcester City Council in March 19. A WCC pan flu ex of its own BC arrangements is under development.
- Review of Worcs annex of the Excess Deaths Plan during 2019 to clarify and agree body storage/management responsibilities and arrangements between County and District Councils
- Review of WCC Pandemic Flu framework document during 2019/20.

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AUDIT AND GOVERNANCE COMMITTEE

29 JULY 2019

WORK PROGRAMME

Recommendation

- 1. The Committee is asked to note its future work programme and consider whether there are any matters it would wish to be incorporated.**

Work Programme

20 September 2019

Internal Audit Progress Report 2019/20
External Auditor – Annual Audit Letter
Update on Finance Improvement Plan

13 December 2019

Internal Audit Progress Report 2019/20
Counter Fraud Report 2018/19
Financial Resilience
Corporate Risk Report

March 2020

Internal Audit Progress Report 2019/20
Internal Audit Plan 2020/21
External Auditor Plan – Informing the Audit Risk Assessment

July 2020

Annual Governance Statement
Internal Audit and Delegated Service Annual Report 2019/20
External Audit – Audit Findings Report
Annual Statutory Financial Statements for the year ending 31 March 2020
Corporate Risk Report

Contact Points

County Council Contact Points

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Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Director of Commercial and Change) the following are the background papers relating to the subject matter of this report:

Agenda and Minutes of this Committee from December 2005 onwards