

Agenda

Audit and Governance Committee

Friday, 4 December 2020, 10.30 am
Online only

Notes:

Due to the current Covid-19 pandemic Worcestershire County Council will be holding this meeting in accordance with the relevant legislative arrangements for remote meetings of a local authority. For more information please refer to: Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Please note that this is a public meeting, conducting remotely by videoconferencing between invited participants and live streamed for general access via a link on the Council's website to the Council's Youtube [channel](#).

The Agenda papers and background papers can be accessed electronically on the Council's website. Members of the public and press are permitted to report on the proceedings.

This document can be made available in other formats (large print, audio tape, computer disk and Braille) on request from Democratic Services on telephone number 01905 846621 or by emailing democraticServices@worcestershire.gov.uk

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

Friday, 4 December 2020, 10.30 am, Online only

Membership: Mr N Desmond (Chairman), Mr R W Banks, Dr A J Hopkins,
Dr C Hotham, Mr L C R Mallett, Mr P Middlebrough, Mr C Rogers 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 Assistant Director for Legal and Governance 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 3 December 2020). 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 2 October 2020. (previously circulated)	
5	Internal Audit Progress Report	1 - 12
6	External Audit Progress Report and Sector Update	13 - 38
7	Income Management	39 - 42
8	Risk Management Update	43 - 60
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10	Work Programme	65 - 66

Agenda produced and published by Abraham Ezekiel, Assistant Director for Legal and Governance County Hall, Spetchley Road, Worcester WR5 2NP

To obtain further information or a copy of this agenda contact Simon Lewis, Committee Officer on 01905 846621, slewis@worcestershire.gov.uk

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

Date of Issue: Thursday, 26 November 2020

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AUDIT AND GOVERNANCE COMMITTEE 4 DECEMBER 2020

INTERNAL AUDIT PROGRESS REPORT

Recommendation

1. The Chief Internal Auditor recommends that:

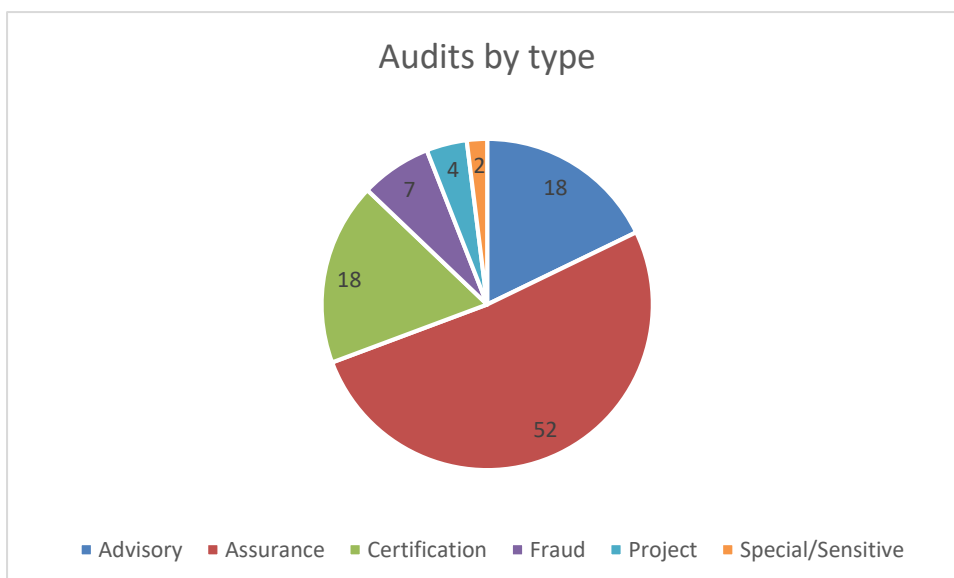
- a) **Progress to date is noted; and**
- b) **The focus of the quarter 4 audit plan be approved.**

Background

2. The role of the Council's Internal Audit service is to enhance and protect organisational value by providing independent assurance, advice and insight into the Council's risk management, governance, internal control and fraud prevention processes. This report provides an update on activity to November 2020 and the plan for the next quarter.

Audit and compliance 2020/21

3. We have 101 work items in the 2020/21 plan. Detailed analysis is given in Appendix 1.



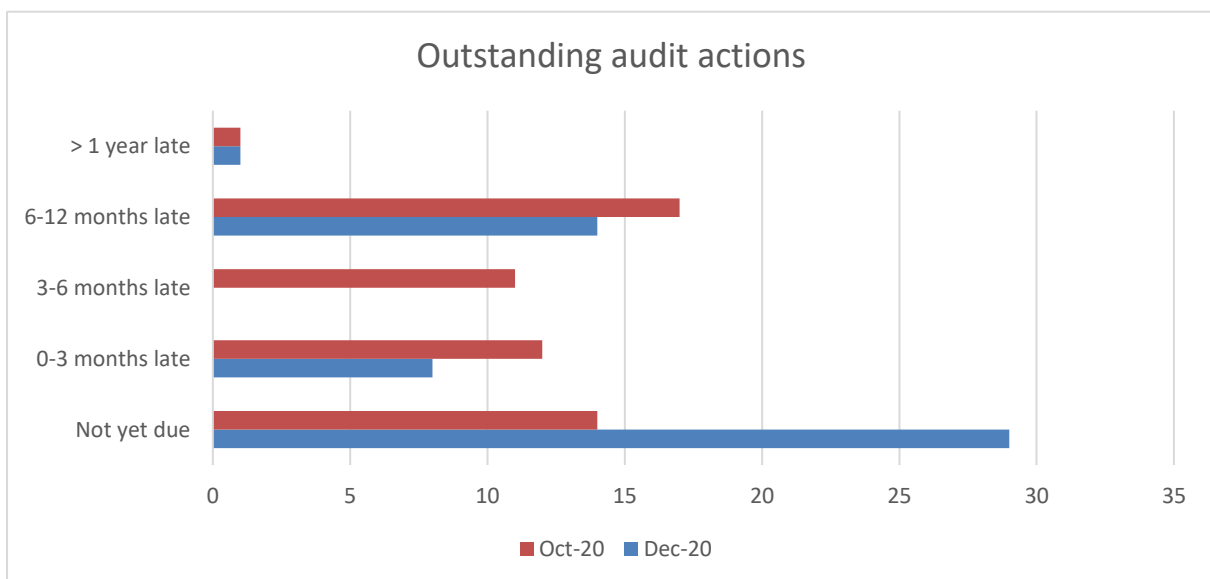
4. We have 18 audits currently underway or completed, including 11 linking to Worcestershire Children First (WCF), with a further 34 planned for the remainder of the year. Detailed analysis is provided in Appendix 1. The WCF audits include schools.

Audit State	Number	WCF
Draft – engagement has not commenced	34	15
Open - ToR issues / engagement in progress)	14	7
Complete – fieldwork finished / report issued	4	4
TOTAL	52	26

5. Of the completed audits, 3 have been given substantial assurance and 1 limited assurance. The limited assurance audit relates to St Egwin’s Middle school, where our work found that the overall control framework is adequate, but the operation of controls is poor. A number of actions have been agreed with the school management team.

Audit actions update

6. Audit actions are tracked and we make regular contact with operational managers to follow up progress. We currently have 16 audits with 52 open actions. The graph below gives analysis of open actions, with the previous reporting period included for comparison.



7. Further detail is given in Appendix 2.

Anti-Fraud and Special Investigations

8. There have been no new fraud investigations raised during the period, although we are currently reviewing procedures with Liberata after standard procedures were bypassed to amend bank account details resulting in a fraudulent transaction.

9. We are currently engaging with the National Fraud Initiative where key data sources are uploaded to a national database and analysed to identify potential fraudulent transactions at local and national levels.

10. We have increased our communications work with activities including regular postings during International Fraud Awareness week, the creation of a staff Yammer group and a newsletter planned for December.

Advisory services

11. Alongside day to day advisory activities we are currently supporting the Place Partnership Exit process, IT website development and our Covid governance response.

Grant certifications

12. Our grant certification work supports the Council in ensuring that money claimed from government agencies is correctly accounted for and we work closely with operational teams to deliver this. 10 grants, with a value of £32.9 million, have been certified as accurate to date, with 6 further due to be signed off. This work will see £5.2 million of grant income validated. We have seen an increase in the number of grants which require certification mainly as a result of Covid-related funding and these are included in our plans.

Staffing

13. We continue to hold a few vacancies which are currently filled by interim staff. We are currently recruiting to the roles of Audit and Compliance Manager and 3 Audit Business Partners.

Quarter 4 audit plan

14. Our key work themes for the next quarter are:

- a) Financial management framework audits. Following the controls assessment advisory work, we will be carrying out the following audits:
 - i. Direct payments
 - ii. Capital and business case development
 - iii. Debt management
 - iv. Financial forecasting
 - v. Value for money
- b) IT audits
- c) Corporate governance arrangements relating to Covid19
- d) Asset management
- e) Schools audits

15. Other audit work will be undertaken on a risk basis.

Contact Points

County Council Contact Points
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Specific Contact Points for this report

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Supporting Information

Appendix 1: Audit status

Appendix 2: Audit actions update

Background Papers

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

Summary analysis

Audit type	Number	Description
Advisory	18	Advising key operational projects Developing control frameworks
Assurance	52	Assuring effectiveness of governance and internal process controls
Certification	18	Testing and certification of externally allocated grants
Fraud	7	Investigating allegations of fraud
Project	4	Audit team activity
Special/Sensitive	2	Investigating concerns raised where no fraud is suspected
	101	

Detailed analysis

Audit	Type	Rating	Current Milestone
2020/21 - 50 - HO - Asset management controls assurance	Advisory	Not Applicable	Framework complete
2020/21 - 51 - HO - Business continuity planning	Advisory	Not Applicable	Framework complete
2020/21 - 52 - HO - Business planning controls assurance	Advisory	Not Applicable	Framework complete
2020/21 - 53 - HO - Decision making controls assurance	Advisory	Not Applicable	Framework complete
2020/21 - 54 - HO - Financial control environment	Advisory	Not Applicable	Framework complete
2020/21 - 55 - HO - Financial management controls assurance	Advisory	Not Applicable	Framework complete
2020/21 - 56 - HO - HR management controls assurance	Advisory	Not Applicable	Framework complete
2020/21 - 57 - HO - IT environment controls assurance	Advisory	Not Applicable	Framework complete
2020/21 - 58 - HO - Pension Fund governance arrangements	Advisory	Not Applicable	Framework complete
2020/21 - 59 - HO - Performance management controls assurance	Advisory	Not Applicable	Framework complete
2020/21 - 60 - HO - Procurement & Commissioning	Advisory	Not Applicable	Framework complete
2020/21 - 61 - HO - Programme & Project Management	Advisory	Not Applicable	Framework complete
2020/21 - 62 - HO - Risk management controls assurance	Advisory	Not Applicable	Framework complete
2019/20 - 70 - Financial Management Framework	Advisory	Not Applicable	Final Report
2020/21 - 11 - Corporate Governance - post COVID - Phase 1	Advisory	Not Applicable	Issue Draft Report

Audit	Type	Rating	Current Milestone
2020/21 - 12 - Place Partnership Exit	Advisory	Not Applicable	Start Field Work
2020/21 - 29 - Corporate Governance - post COVID - Phase 2	Advisory	Not Applicable	Start Field Work
2020/21 - 64 - IT - Website Development	Advisory	Not Applicable	Terms of Reference agreed
2020/21 - 18 - St Egwin's CE Middle	Assurance	Limited Assurance	End Audit
2019/20 - 72 - Malvern St Joseph's Primary	Assurance	Substantial Assurance	Responses Received
2020/21 - 20 - Parkside Middle School	Assurance	Substantial Assurance	Responses Received
2020/21 - 28 - Beoley First	Assurance	Substantial Assurance	Responses Received
2019/20 - 12 - System administration	Assurance	Not assessed	Start Field Work
2019/20 - 51 - Pensions investment	Assurance	Not assessed	Start Field Work
2020/21 - 06 - Kidderminster Trust	Assurance	Not assessed	Start Field Work
2020/21 - 17 - St Mary's CoE Primary	Assurance	Not assessed	Start Field Work
2020/21 - 22 - Blessed Edward Catholic College	Assurance	Not assessed	Start Field Work
2019/20 - 04 - Travel and Subsistence: Officers & Councillors	Assurance	Not assessed	Terms of Reference agreed
2019/20 - 23 - Direct payments	Assurance	Not assessed	Terms of Reference agreed
2019/20 - 29 - Placements in residential care (out of county)	Assurance	Not assessed	Terms of Reference agreed
2019/20 - 69 - North Bromsgrove High School	Assurance	Not assessed	Terms of Reference agreed
2020/21 - 40 - Comberton Primary	Assurance	Not assessed	Terms of Reference agreed
2020/21 - 77 - Rushwick CoE Primary	Assurance	Not assessed	Terms of Reference agreed
2020/21 - 80 - Sytchampton Endowed Primary	Assurance	Not assessed	Terms of Reference agreed
2020/21 - 91 - Financial Forecasting	Assurance	Not assessed	Terms of Reference agreed
2020/21 - 94 - ICT Risk Register Review	Assurance	Not assessed	Terms of Reference agreed
2019/20 - 21 - Payroll and HR function	Assurance	Not assessed	

Audit	Type	Rating	Current Milestone
2019/20 - 22 - Section 75 agreements	Assurance	Not assessed	
2020/21 - 30 - Accuracy of financial forecasting	Assurance	Not assessed	
2020/21 - 31 - Adult social care case management	Assurance	Not assessed	
2020/21 - 32 - Adult social care peer review support	Assurance	Not assessed	
2020/21 - 33 - Babcock insourcing PIR	Assurance	Not assessed	
2020/21 - 35 - Bewdley School & Sixth Form Centre	Assurance	Not assessed	
2020/21 - 37 - Capital and Business Case Development	Assurance	Not assessed	
2020/21 - 38 - Chawson First	Assurance	Not assessed	
2020/21 - 39 - Civica insourcing (CRM)	Assurance	Not assessed	
2020/21 - 41 - Cropthorne -with-Charlton First	Assurance	Not assessed	
2020/21 - 42 - Debt management	Assurance	Not assessed	
2020/21 - 43 - Effective governance of the WCC / WCF arrangements and Contract Management	Assurance	Not assessed	
2020/21 - 44 - Effective internal governance	Assurance	Not assessed	
2020/21 - 45 - Elmley Castle First	Assurance	Not assessed	
2020/21 - 46 - Financial Instruments to generate money for commercialisation	Assurance	Not assessed	
2020/21 - 47 - General Ledger Maintenance - CP / e5 upgrades	Assurance	Not assessed	
2020/21 - 48 - Governor support and training thematic	Assurance	Not assessed	
2020/21 - 49 - High Needs Block	Assurance	Not assessed	
2020/21 - 65 - Key contract review – Waste management	Assurance	Not assessed	
2020/21 - 66 - Liquid Logic and Controcc implementation	Assurance	Not assessed	
2020/21 - 67 - Long term agency and consultancy placements	Assurance	Not assessed	
2020/21 - 68 - Millfields First	Assurance	Not assessed	

Audit	Type	Rating	Current Milestone
2020/21 - 70 - Ombersley Endowed First	Assurance	Not assessed	
2020/21 - 71 - Organisational data management	Assurance	Not assessed	
2020/21 - 72 - Pitmaston Primary	Assurance	Not assessed	
2020/21 - 73 - Placement process for children in care	Assurance	Not assessed	
2020/21 - 75 - Reserves management	Assurance	Not assessed	
2020/21 - 76 - Rigby Hall Day Special	Assurance	Not assessed	
2020/21 - 78 - St Barnabas CoE Primary	Assurance	Not assessed	
2020/21 - 79 - St George's Catholic Primary	Assurance	Not assessed	
2020/21 - 81 - Transport services, external and internal management and reporting	Assurance	Not assessed	
2020/21 - 82 - Treasury management and the prudential code (revised)	Assurance	Not assessed	
2020/21 - 95 - Value for Money	Assurance	Not assessed	
2020/21 - 01 - Disabled Facilities Grants (DFG)	Certification	Certified	End Audit
2020/21 - 02 - Youth Justice Grants	Certification	Certified	End Audit
2020/21 - 05 - Growth Hub	Certification	Certified	End Audit
2020/21 - 07 - Local Transport Block Funding	Certification	Certified	End Audit
2020/21 - 08 - Bus Subsidy Ring Fenced Grant	Certification	Certified	End Audit
2020/21 - 09 - Troubled Families Quarter 1&2	Certification	Certified	End Audit
2020/21 - 16 - Blue Badge Scheme	Certification	Certified	End Audit
2020/21 - 25 - WCF Set-Up Costs - Tranch 1	Certification	Certified	End Audit
2020/21 - 04 - COVID Bus Services Support Grant	Certification	Not assessed	
2020/21 - 10 - Southern Link Road	Certification	Not assessed	
2020/21 - 24 - Track and Trace Funding Grant	Certification	Not assessed	

Audit	Type	Rating	Current Milestone
2020/21 - 26 - Transport to School (post COVID) Grant	Certification	Not assessed	
2020/21 - 27 - Active Travel Fund Capital Grant	Certification	Not assessed	
2020/21 - 34 - Basic Needs Grant	Certification	Not assessed	
2020/21 - 92 - Troubled Families Quarter 3	Certification	Not assessed	
2020/21 - 93 - Troubled Families Quarter 4	Certification	Not assessed	
2020/21 - 74 – Pothole Challenge Fund Grant	Certification	Not assessed	
2020/21 - 83 - Virgin Park & Charge	Certification	Not assessed	
2020/21 - 03 - School	Fraud	Not Applicable	End Audit
2020/21 - 14 - Fraud Hotline	Fraud	Not Applicable	End Audit
2020/21 - 88 - Fraud Awareness Report	Fraud	Not Applicable	Start Field Work
2020/21 - 85 - NFI Data Upload 2020	Fraud	Not Applicable	Terms of Reference agreed
2020/21 - 23 - School	Fraud	Not Applicable	
2020/21 - 69 - National Fraud Initiative - Download of historical data	Fraud	Not Applicable	
2020/21 - 90 - NFI Data Matching Jan 2020	Fraud	Not Applicable	
2020/21 - 86 - Internal Website Development	Project	Not Applicable	Start Field Work
2020/21 - 84 - Schools Newsletter - Dec 2020	Project	Not Applicable	Start Field Work
2020/21 - 87 - External Website Development	Project	Not Applicable	Start Field Work
2020/21 - 89 - Continuous Auditing	Project	Not Applicable	Start Field Work
2020/21 - 13 - School	Special/Sensitive	Not Applicable	End Audit
2020/21 - 15 - School	Special/Sensitive	Not Applicable	End Audit

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Audit actions

	Cleared	Not due	0-3 months late	3-6 months late	6-12 months late	>12 months late
Substantial Assurance audits						
Approval of development	1	1			2	1
IT cloud arrangements	2	1				
HR Strategy / policy development and compliance	9	1				
Appointees and deputies	3				2	
Malvern St Joseph's Primary School		6	1			
Liquid Logic Project					1	
Moderate Assurance audits						
Payroll	5				1	
IT inventory		4				
IT legacy systems	1	2				
Procurement cards for care leavers					2	
Wolverley High School	14	2				
Limited Assurance audits						
Long Term Placements (Agency & Consultancy)	7		3			
Governor support and training - thematic review	2	4			1	
Adult & Community Learning budget management	3				4	
St Egwin's Middle School		5	3			
Advisory audits						
Financial management framework		3	1			
	47	29	8	0	14	1

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AUDIT AND GOVERNANCE COMMITTEE 4 DECEMBER 2020

EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

Recommendation

- 1. The Committee is asked to note the content of the External Audit Progress Report and Sector Update as set out in the Appendix.**

Background

1. Grant Thornton, the Council's external auditor has produced an External Audit Progress Report and Sector Update which is attached as an Appendix.
2. A representative from Grant Thornton will be attending the meeting to answer any questions about this document.

Contact Points

Specific Contact Points for this report

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Supporting Information

- Appendix: Grant Thornton Progress Report and Sector Update

Background Papers

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

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Audit Progress Report and Sector Update

Worcester County Council and Pension Fund
Year ending 31 March 2020

25 November 2020



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Auditor's work on VFM Arrangements	Appendix C

Introduction



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Engagement Lead

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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



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Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at 25 November 2020

2019/20 Audit

Opinion for both the Council and Pension Fund

We presented our Audit Findings Reports (ISA260) for both the County Council and Pension Fund to the Audit and Governance Committee on 2 October 2020. In these reports we set out that for the County Council our anticipated opinion was unqualified and was to include an Emphasis of Matter paragraph highlighting the material uncertainties disclosed in the financial statements in respect of land and buildings. In respect of the Pension Fund we were anticipating an unqualified opinion.

Subsequent to the committee we completed our audit procedures and issued our anticipated opinions, as set out above, on the 27 October 2020.

Value for Money (VFM) conclusion

In addition to the opinion on the financial statements, we are also required to issue our Value for Money (VFM) conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. As indicated at the 2 October 2020 Audit and Governance Committee we were expecting to issue a unqualified VFM conclusion based on our review of your arrangements for securing sustainable resource deployment. We issued a clean VFM conclusion, concluding that the Council does have arrangements in place to secure VFM on the 27 October 2020 alongside the opinion on the financial statements

Certificate

At the point of signing our opinions and VFM conclusion on 27 October 2020 we were not in a position to issue our certificate confirming closure of the 2019/20 as work remained outstanding in respect of:

- our opinion work on the consistency of the pension fund financial statements of the Council included in the Pension Fund Annual Report with the pension fund financial statements included in the statement of accounts; and
- the completion of our work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2020.

Following our review of the draft Pension Fund Annual Report and the resulting changes to a small number of disclosures, we issued our auditor's report on the consistency of the pension fund statements within the Annual Report on the 23 November 2020.

Our work on the WGA submission is ongoing and a verbal update on progress will be provided at the Committee meeting.

Other areas

Events

Our annual chief accountants workshops will take place early in the new year. These events, spread throughout the country, will be open to your key finance officers and focus on the learning from 2019/20 across the sector as well as providing early insight and views on emerging issues affecting 2020/21 closedown.

2019/20 Proposed Audit Fees

We sent an email to the Chief Finance Officer on the 8 October 2020 regarding Covid-19 and the potential impact on our fees for 2019/20. In our Audit Findings Report presented to Audit Committee on 2 October 2020 the fees section of our reports indicated that final fees for 2019/20 were to be confirmed.

We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £13,750 and £6,000 respectively for the Council and the Pension Fund in addition to those proposed at the planning stage of the audit. This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities. Further details on the make up of all the additional fees for both the Council and Pension Fund are provided in Appendix A.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

VFM for 2020/21 and onwards

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation ran until 2 September 2020. The NAO will now analyse all consultation responses received and consider what changes are required to the draft guidance. More detail can be seen on page 12 of this report as well as in appendix C.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter (Council and Pension Fund) Confirming audit fee for 2019/20.	April 2019	Complete
Audit Plan (Council and Pension Fund) We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements. A separate audit plan was issued for the Pension Fund,	March 2020	Complete
Audit Plan addendum for Covid-19 (Council and Pension Fund) Covid-19 resulted in the identification of a significant risk at the financial statements level for both the Council and Pension Fund necessitating the issuing of an addendum to our original audit plans.	April 2020	Complete
Audit Findings Report (Council and Pension Fund) The Audit Findings Reports for both the Council and Pension Fund were reported to the October meeting of the Audit and Governance Committee.	October 2020	Complete
Auditors Report Our opinion on the Council's financial statements, annual governance statement and value for money conclusion was issued on the 27 October 2020. On the same day a separate opinion was issued on the Pension Fund.	October 2020	Complete
Annual Audit Letter This letter communicates the key issues arising from our work.	December 2020	Not yet due

Appendix A - Worcestershire County Council Proposed Fees

We confirm below our proposed final fees for the audit

Audit fees	Proposed fee
County Council scale fee	73,493
Additional proposed audit fee at planning stage	17,650
Total proposed audit fees (excluding VAT) at planning	£91,143
Further additional fees proposed at completion	13,750
Total proposed audit fees (excluding VAT) on completion	£104,893

The Worcestershire County Council Audit Plan presented in March included £17,650 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator. This is reflected in the total proposed audit fees at planning above.

Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £13,750 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £104,893. Further details on the breakdown is provided on the next page.

This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Appendix A - Worcestershire County Council Audit fee variations – Further analysis

Final proposed audit fees

The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval

Audit area	£	Rationale for fee variation
Scale fee	73,493	
Pensions – valuation (IAS19)	3,500	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	9,350	We have engaged our own audit expert – Wilks Head and Eve LLP and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations]. The increase includes an estimate for the fee payable to the auditor's expert. We estimate that the cost of the auditors expert will be in the region of £5000.
New accounting standards / developments	1,800	Note that PSAA's original scale fee for this contract was set in March 2018, so any new developments since that time need to be priced in.
Group accounts	3,000	Following the transfer of services to the wholly owned subsidiary Worcester Children First, the Authority now has a group structure that management have assessed as requiring consolidation for the first time. This represents a significant and complex accounting transaction and therefore we deem this to represent a significant risk in 2019/20.
Revised planning fee	91,143	
Covid-19	13,750	Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes: <ul style="list-style-type: none"> Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including managing around agreed dates for receiving the accounts in light of knock on implications of other sector audits, and delays in responses during audit fieldwork. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.
Total proposed audit fees on completion	104,893	

Appendix A - Worcestershire Pension Fund Proposed Fees

We confirm below our proposed final fees for the audit and provision of non-audit services.

Audit fees	Proposed fee
Pension Fund scale fee	19,222
Additional proposed audit fee at planning stage	4,250
Total proposed audit fees (excluding VAT) at planning	£23,743
Further additional fees proposed at completion	6,000
Total proposed audit fees (excluding VAT) on completion	£29,743

The Worcestershire Pension Fund Audit Plan presented in March included £4,250 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator. This is reflected in the total proposed audit fees at planning above.

Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19 and engaged our own auditors valuation expert to provide further assurance over your derivative disclosures. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £6,000 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £29,743. Further details on the breakdown is provided on the next page.

This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Provision of IAS 19 Assurance Letters to other auditors (estimated fee)	6,000	TBC
Total non- audit fees (excluding VAT)	£6,000	£6,000

Appendix A - Worcestershire Pension Fund Audit fee variations – Further analysis

Planned audit fees

The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval

Audit area	£	Rationale for fee variation
Scale fee	19,222	
Raising the bar	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Valuation of level 3 investments	1,750	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.
Revised planning fee	23,743	
Auditor's expert - valuation	2,000	As part of our audit work on investments we used, for the first time this year, our internal valuations team to provide assurance over the fair value of your derivatives.
Covid-19	4,000	Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes: <ul style="list-style-type: none"> • Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. • Management's assumptions and estimates - there is increased uncertainty over many estimates including investment valuations. • Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working. These are understandable and arise from the availability of the relevant information. In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.
Total proposed audit fees on completion	29,743	

Appendix B - Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

Local government reorganisation in two-tier shire counties – County Councils’ Network

The County Councils’ Network (CCN) has published new independent evidence on the implications of local government reorganisation in two-tier shire counties ahead of the publication of the government’s ‘devolution and local recovery’ white paper.

The report identifies considerations relating to:

- the costs associated with disaggregation;
- what this might mean in terms of risk and resilience of service provision;
- how service performance might be impacted;
- what it could mean for the place agenda; and
- issues arising from the response to Covid-19.

The report also sets out the financial implications of four unitary scenarios:

- Establishing one unitary authority in every two-tier area in England.
- Establishing two new unitary authorities in every two-tier area in England.
- Establishing three new unitary authorities in every two-tier area in England.
- Establishing two new unitary authorities and a children’s trust in every two-tier area in England.

CNN note “With councils in shire counties facing billions in rising costs for care services, alongside financial deficits caused by the Coronavirus pandemic, the study from PricewaterhouseCoopers (PwC) shows merging district and county councils in each area into a single unitary council could save £2.94bn over five years nationally.”

CNN go on to comment “The report concludes a single unitary in each area would reduce complexity and give communities a single unified voice to government. It would provide a clear point of contact for residents, businesses and a platform to ‘maximise’ the benefits of strategic economic growth and housing policy; integral to the ‘levelling-up’ agenda and securing devolution.

However, the report shows replacing county and districts with two unitary authorities in each area would reduce the financial benefit by two-thirds to £1bn over five years, with three unitary authorities delivering a net loss of £340m over the same period. A fourth scenario of a two-unitary and children’s trust model in each county would deliver a net five year saving of £269m.

Alongside a minimum £1.9bn in additional costs from splitting county council services, the report outlines the establishment of multiple unitary authorities in each area creates the risk of disruption to the safeguarding of vulnerable children, while ‘instability’ in care markets could impact on the quality and availability of support packages and care home placements.”



The full report can be obtained from the County Councils’ Network website:

<https://www.countycouncilsnetwork.org.uk/new-analysis-reveals-that-single-unitary-councils-could-deliver-3bn-saving-over-five-years-and-maximise-the-benefits-of-economic-growth-and-housing-policy/>

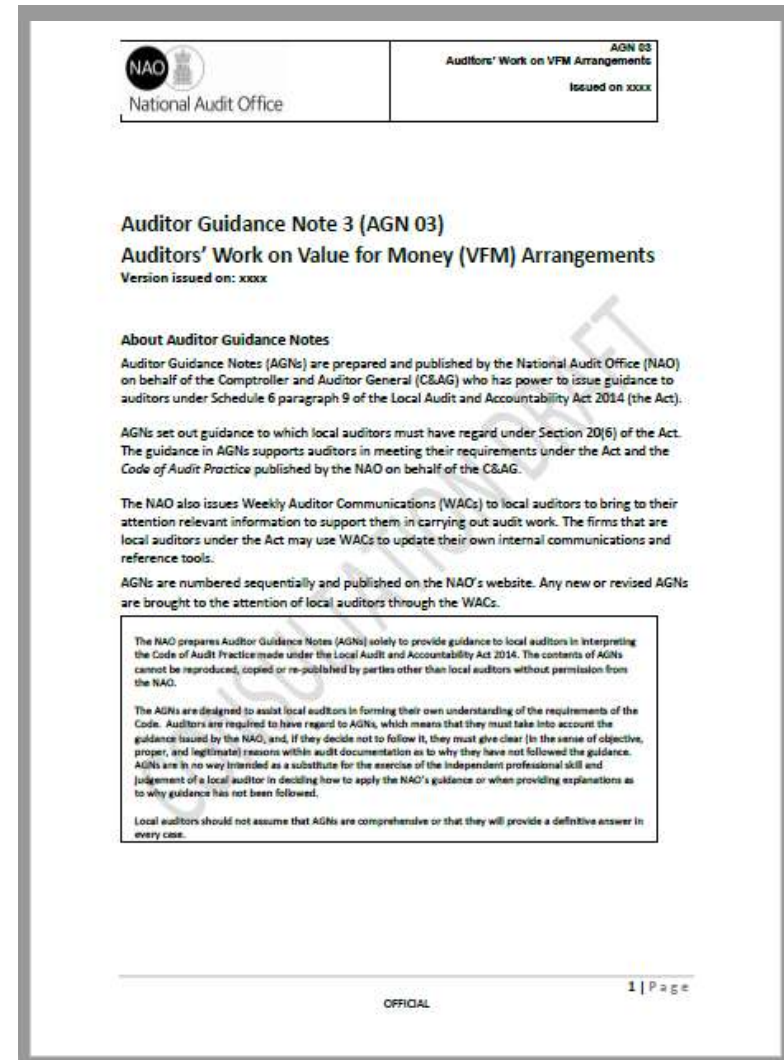
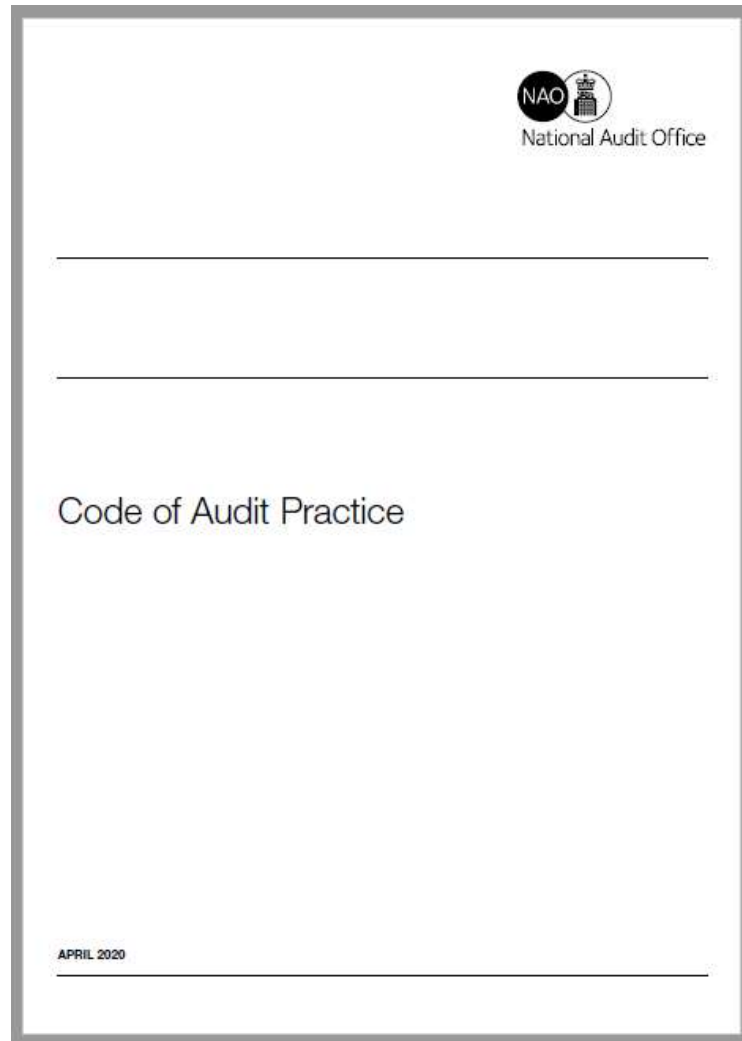
Appendix C

Auditor's work on VFM Arrangements

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How have the NAO changed value for money work ?

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How is value for money work changing ?



VFM arrangements commentary and recommendations

The three criteria have changed...

~~Informed
decision making~~

~~Sustainable
resource
deployment~~

~~Working with
partners and
other third
parties~~

Governance

Financial
sustainability

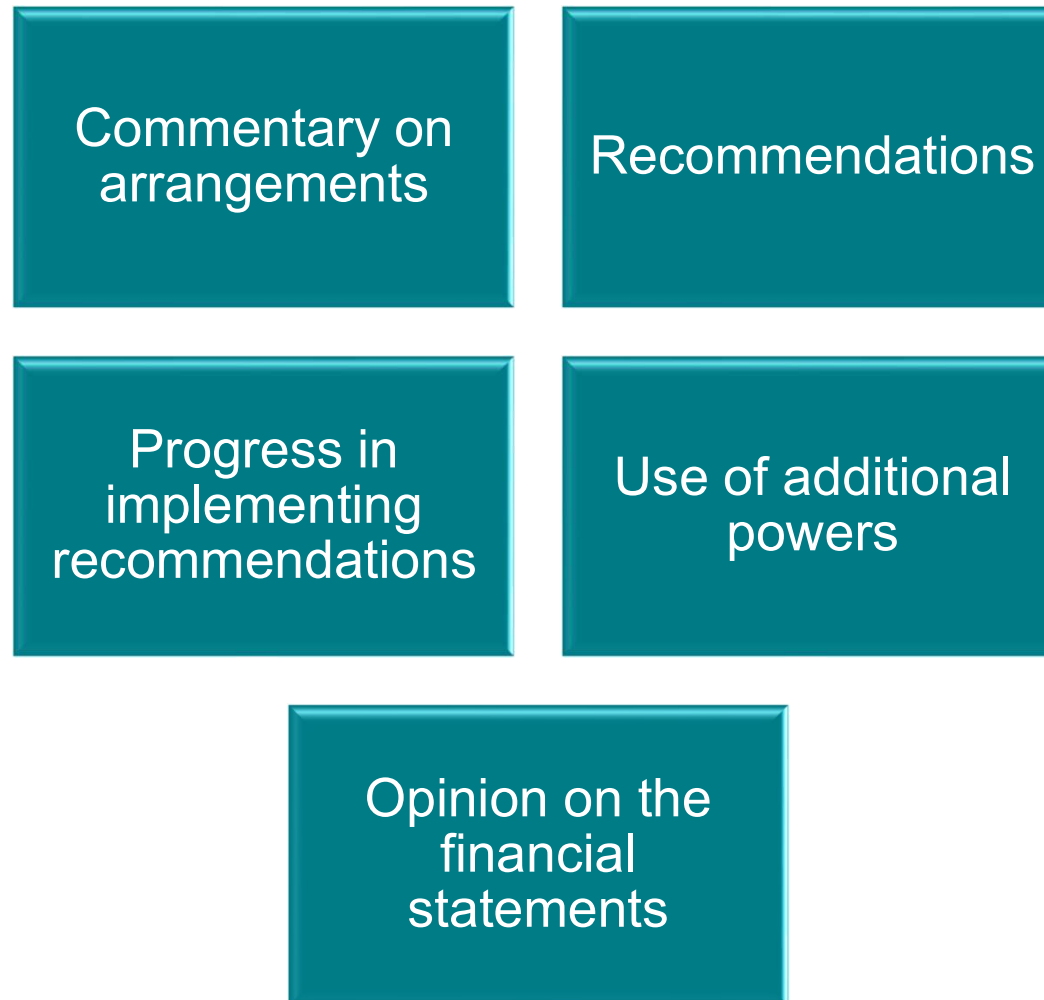
Improving
economy,
efficiency and
effectiveness

A key change in reporting...

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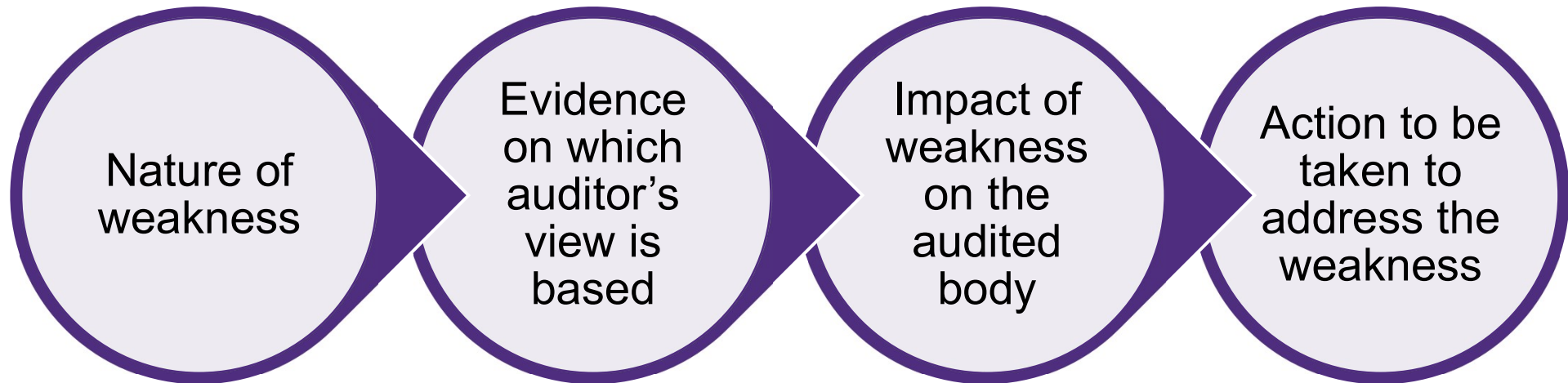


So what is in an Auditor's Annual Report ?



Recommendations

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Practical implications

The new approach is more complex, more involved and will lead to better quality working achieving more impact. Before beginning work, we will discuss with you:

- Timing
- Resourcing
- Fees

Q&A

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AUDIT AND GOVERNANCE COMMITTEE

4 DECEMBER 2020

INCOME MANAGEMENT

Recommendation

- 1. The Chief Finance Officer recommends that the Income Management report be noted.**

Progress on Income Management

2. The Audit and Governance Committee has been receiving regular updates on the Council's approach to managing short term debt and redesigning the organisations income management processes. This report updates the Committee on progress with this change programme.
3. Since the last Committee meeting in October 2020, we have successfully recruited to two senior management roles; Payments Manager and Income and Debt Manager. Both appointments have just recently started their respective roles, and each has a wealth of experience to bring to the team.
4. We are now in the process of reviewing all transactional services, and in particular those around income management.
5. We have also agreed to increase capacity within Legal Services for a 12-month period to support the requirement for greater challenge and action going forward to collect debt. This will be reviewed in 2021 with a view to an appropriate longer-term requirement being recognised and resourced within the needs of the process. It is expected that the cost of this will be met from transformation reserves and the reduction in the bad debt provision made possible due to improvements in collection.
6. We have been progressing with our deeper analysis of debts whilst improving our data extraction and analysis report which will enable us to access information faster.

Latest position on debts

7. The table below shows the latest level of short-term debt stands at £30.2 million, 67% (£20.2 million) of which was raised this financial year. This has risen significantly in the last month although this mainly related to four debtors who have just has new accounts raised to them. Collection will be prioritised for these larger amounts.

Table 1 – Summary of aged debt at start of 31 October 2020

Year	Instalment	Litigation	* With Legal	* With Officers	Pending Cancellation	Pending W/Off	< 30 Days	* To be referred To Officers	Total	
	£		£	£		£	£	£	£	
Aged Analysis:										
01/02	0.00	0.00	5,119.38	0.00	0.00	0.00		0.00	5,119.38	0.02%
02/03	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.02%
03/04	0.00	0.00	1,099.36	0.00	0.00	0.00		0.00	1,099.36	0.02%
04/05	0.00	0.00	770.24	0.00	0.00	0.00		0.00	770.24	0.02%
05/06	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.02%
06/07	6.24	0.00	0.00	0.00	0.00	0.00		0.00	6.24	0.02%
07/08	0.00	0.00	3,215.82	0.00	0.00	0.00		0.00	3,215.82	0.03%
08/09	0.00	0.00	1,481.69	48.23	0.00	0.00		0.00	1,529.92	0.04%
09/10	0.00	1,091.28	0.00	0.00	0.00	0.00		0.00	1,091.28	0.04%
10/11	0.00	1,359.53	1,237.20	0.00	0.00	0.00		-7,662.00	-5,065.27	0.03%
11/12	59.59	2,490.11	0.00	54.00	0.00	0.00		0.00	2,603.70	0.03%
12/13	0.00	30,359.35	13,199.78	781.33	0.00	0.00		4,324.09	48,664.55	0.20%
13/14	1,260.70	89,804.67	4,721.31	367.41	0.00	0.00		22,343.39	118,497.48	0.59%
14/15	2.81	53,204.88	24,719.01	7,026.63	137.09	0.00		15,536.51	100,626.93	0.92%
15/16	430.93	81,297.92	67,456.19	85,593.13	787.78	0.00		26,258.51	261,824.46	1.79%
16/17	26,873.02	279,065.72	36,992.79	153,850.88	833.45	0.00		-21,553.99	476,061.87	3.36%
17/18	48,404.42	54,604.98	3,477.34	407,447.29	12,146.73	0.00		846,370.60	1,372,451.36	7.90%
18/19	38,713.39	-800.00	0.00	804,095.85	47,002.32	0.00		1,212,981.35	2,101,992.91	14.85%
19/20	94,633.67	-240.00	35,136.62	644,546.13	26,965.74	0.00		4,754,885.94	5,555,928.10	33.22%
20/21	2,330,883.46	0.00	3,728.86	194,753.57	30,470.72	0.00	9,776,457.50	7,846,293.46	20,182,587.57	99.98%
Total sundry debts	2,541,268.23	592,238.44	202,355.59	2,298,564.45	118,343.83	0.00	9,776,457.50	14,699,777.86	30,229,005.90	0.00%
	8.41%	1.96%	0.67%	7.60%	0.39%	0.00%	32.34%	48.63%	100.00%	
								Less Installments	-2,541,268.23	
								Less < 30 days	-9,776,457.50	
								Total	17,911,280.17	
							Of which	In litigation	202,355.59	1.13%
								With Managers to chase or complete litigation forms not yet sent to managers by Liberata	592,238.44	3.31%
								Other	14,699,777.86	82.07%
									2,416,908.28	
									17,911,280.17	

8. Of the total debt recorded greater than 30 days old, for which there is not an instalment or pending cancellation is £17.911 million (59%):

Table 2: Debt to chase - Summary

1/09/20 (reported to Last A&G)	31/1/20	Comment
£2.4m	£2.4m	With managers/clerks to determine the next steps to chase, collection or write off debt.
£9.2m	£14.7m	With Liberata having sent reminders to next seek advice from Managers as to the next steps for recovery. This is usually the point at which debt becomes greater than 90 days.
£5.1m	£0.6m	Litigation action being taken through final reminders

£0.1m	£0.2m	With legal to pursue through the courts or other measures, or for write off
£16.8m	£17.9m	Total

9. Debts recorded as Finance as above relate to where finance staff have raised debts on behalf of a service directorate.

10. The top 20 debtors, anonymised, are as follows:

Table 4: To 20 Debtors - Anonymised

Type	Less than 1 Mth	1 to 3 Mths	3 to 6 Mths	6 to 12 Mths	Over 12 Mths	Grand Total
NHS	4,175,947.29		80,999.75			4,256,947.04
Company	1,663,440.87				65,948.46	1,729,389.33
Company	1,559,098.40					1,559,098.40
Council	1,394,866.32	5,844.00		216.00	8,563.37	1,409,489.69
Education	111,850.63	70,940.44	353,447.16	4,813.28	619,036.50	1,160,088.01
Education	8,528.88		1,041,250.32	40,521.78	13,925.05	1,104,226.03
Company	66,775.00	181,477.03	43,745.06	143,450.84	109,981.62	545,429.55
NHS	11,250.00	-17,450.00		340,773.65	56,331.47	390,905.12
Education	5,812.79		331,896.00	16,809.01	1,211.79	355,729.59
Council		308,407.90			5,880.00	314,287.90
Company	37,030.00	20,675.00		58,400.00	140,280.06	256,385.06
Council				251,034.18		251,034.18
Education	6,092.47	6,509.15	71.75	217,749.96	7,022.10	237,445.43
Company	33,511.75				175,638.05	209,149.80
Education	1,258.96		44.93	19,125.00	172,982.67	193,411.56
Education	750.00		7.20	183,300.00		184,057.20
Council	74,679.99	101,340.91			5,178.69	181,199.59
Company	164,807.28			2,977.68		167,784.96
Council	2,342.50		57,030.37	85,223.59	22,430.90	167,027.36
Company	2,939.00			157,077.00		160,016.00
	9,320,982.13	677,744.43	1,908,492.54	1,521,471.97	1,404,410.73	14,833,101.80

11. The timing of the data extraction above has identified the top four debtors having £8.8 million raised within the last month. It is expected that these will be cleared quickly.

12. Senior council officers are discussing with the education sector, Council and NHS debtors to obtain payment.

13. There are currently no debtors in the top 20 marked as 'individual' as there has been in the past – these are more sensitive as they relate to social care service.

14. Where companies owe us money, we are liaising with operational managers responsible for contracting with them to ensure the most appropriate debt collection method is chosen.

15. In addition to the general debt noted above the Council has a Longer-Term Debt that it recognises of c.£3.6 million relating to social care accrued accommodation costs. This debt is secured against property assets pending sufficient house value. This is regularly reviewed, and charges secured against properties.

Legal, Financial and HR Implications

16. There is a risk that without this work there will be further calls to increase the Council's bad debt provisions which will draw from current resources. In assessing the ability to chase the levels of capacity within Legal, Finance and HR will need to be considered. At this stage these are all risks that we are still seeking to mitigate and further updates will be brought back to this Committee.

Contact Points

Specific Contact Points for this report

Michael Hudson, Chief Finance Officer, 01905 845560, mhudson@worcestershire.gov.uk

Mark Sanders, Deputy Chief Finance Officer (Corporate Finance), 01905 846519, mssanders@worcestershire.gov.uk

Background Papers

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

AUDIT AND GOVERNANCE COMMITTEE

4 DECEMBER 2020

RISK MANAGEMENT UPDATE

Recommendations

- 1. The Chief Internal Auditor recommends that the Risk Management update be noted.**

Background

2. A revised risk management process has been approved by the Chief Officers' Group and we are implementing the outcome of this report.
3. We are working with operational risk owners to understand their current assessments and refine in line with the new process. This includes corporate risks and those in subject specific registers, such as EU Exit.
4. There is a continued focus on the Covid 19 risk management process through the emergency response process.

Risk management 2020/21 – Corporate

5. The Task and Finish Group reported to the Chief Officer Group (COG) with an agreed process for managing corporate risk. The full report is attached as Appendix 1. The key recommendations are given below:

- The Corporate Risk Strategy to be updated
- Risk training is required for all accountable staff.
- The Strategy will include a standard format and scoring for recording risk to ensure consistency across the Council's services and the appropriate routes for escalation.
- Corporate risks will be thematic and evaluated against current risk appetite.
- The Risk & Assurance Manager will regularly review risks to assess if there are any areas of commonality, share lessons and make recommendations for cross working groups to look at mitigation and action strategies.
- Risk assessment will be subject to review by the Risk & Assurance Manager and Corporate Risk Management Group (CRMG):
- Risk should be a formal item considered monthly by Directorate Leadership Teams and by COG on an exception basis.

6. We have been working with operational teams to understand the current risk position. This has identified a wide diversity in the risks which are being managed and the Risk and Assurance Manager is working to confirm the revised process with these teams. We will be testing the new approach with the Financial Services Leadership Team to ensure that the theme classifications and scoring are correct.

7. We are in the process of reviewing the current corporate risk register, which has been maintained at an operational level. There are currently 16 risks which are classified as high and we are working with these service areas to ensure these are clear, current and representative.

8. The EU Exit project maintains a separate risk register and we are engaging with the project managers to ensure that these risks are being effectively managed. There are currently no risks classified as high.

Risk management 2020/21 – Covid response

9. Covid risk management continues to be a key focus. Although we have moved into a second lockdown this has not had a significant impact on the risks being managed.

10. We continue to work with the Covid response team to understand emerging risks, such as distribution of vaccines.

11. The red Covid risk remains:

- a) Social care placement availability – diminishing availability of care home beds in Worcestershire. The situation continues to be closely monitored.

Contact Points

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Specific Contact Points for this report
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Supporting Information

Appendix 1: COG Task and Finish Group Report – Risk Management

Background Papers

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



1. Background

- 1.1 We recognise that Risk Management is an essential part of delivering good governance in a Local Authority and supports the Council's strategic ambitions in Shaping Worcestershire's Future. Effective and efficient risk governance and oversight provide management with assurance that the Council's business activities will be positively enhanced by opportunities, and not adversely impacted by threats that could have been foreseen. The effective management of risk can support the organisation in delivering transformed services required within the rapidly changing environment of local government.
- 1.2 The Council has a Corporate Risk Management Policy Statement which acknowledges the need for effective Risk Management, however the associated Strategy has not been fully embedded to create a consistent approach to reporting.
- 1.3 The Council currently has an inconsistent approach to Risk Management across the organisation including Worcestershire Children First. The challenge is to accurately identify, control and report risk information across a vast range of services to enable the organisation to not only protect itself but to take opportunities for improvement where they present themselves.
- 1.4 It should be acknowledged that the current Covid crisis has required us to report and respond to risk information and events more rapidly. The operational risk process has had to evolve to capture this information to enable the Council and partners to effectively respond to risk events. We would like to build upon this progression to better define corporate risk approach.
- 1.5 This report sets out the findings from the review and a series of recommendations for COG to consider, discuss with SLT and enact.

2. The Project Findings

- 2.1 A Task & Finish group for Risk Management was commissioned by COG and has been led by Michael Hudson, Chief Financial Officer, supported by representatives from each Directorate. In line with the Terms of Reference (*Appendix 2*), the Task Group have held a series of meetings, as well as reviewed various local, project and directorate risk registers and reports to identify any obvious strengths and weaknesses. Strategies and registers were reviewed from other Local Authorities to ensure best practice was being followed and guidance sought from HM Government – The Orange Book and the ISO 31000 2018 standard.

The review has identified:

- No training has been provided for over 10 years and there is a lack of understanding of the fundamental basics of risk reporting. All members of the group agreed that there is a need for training on risk and noted that there are currently no E-Learning courses available on Risk Management.
- Preventable risks that should be recorded at an operational level and managed appropriately, are finding their way on to the Corporate register inflating the number of risks managed at COG/SLT/Cabinet level.
- Risk register formats and scoring systems are not consistent across teams which has created obstacles for those responsible for accurately reporting. This includes project risk and cross-directorate mitigations. It is also recognised that there is often no link between services and the corporate risk register.
- In evaluating the current Corporate risk register, consideration was also taken for the dynamic approach to risk management that has occurred during the Covid crisis. A new format of reporting was introduced to promote consistency however clear guidance on updating, recording and reviewing was not introduced. It highlights an absolute prerequisite that in order to ensure that effective risk management is adopted throughout the Council, there must be a robust approach, reporting and ownership of risk and mitigation across the organisation, driven from the highest level, including Cabinet.
- Additional challenges are created when the same risk is described differently or given a higher score by a different directorate. This highlights the need for clear guidance and respective challenge, including how mitigating actions are identified and recorded.
- There is no way to map/thread risks across and up/down the organisation.
- Risk reporting is often based on historical data or unsupported data and is not challenged at stages of review and often does not change over significant periods of time giving rise to no evidence of consideration of the success of mitigation plans or risk appetite.
- Roles, responsibilities and accountability differ across the organisation. In addition, where, when and how risks are reported and managed also varies across the organisation.
- Risk is very infrequently considered by SLT or Cabinet (formal or informal).
- The frequency of reporting risks to DLTs and SLT has become inconsistent and infrequent. Minutes show very little consideration of actions and the consequence or appetite for mitigation, and how that fits in with service

planning. As a result, the corporate risk register appears to have remained static for some period.

- The findings above have made it difficult to move to an effective Internal Audit three lines of defence and improving risk management will bolster the efficiency and effectiveness of the Council’s whole controls and operating environment.
- The role of the Corporate Risk Management Group has become unclear and unfocused and provides no added value to the process or outcomes. However having a corporate mandate and collective cross directorate reference group would strengthen a new approach to risk identification, recording and challenge.
- There is no senior champion to drive and promote risk management. Other organisations have such champions in either a Cabinet Member’s portfolio or the Chair of Audit Committee.
- As such the Risk Strategy and policies should be updated to reflect the changes recommended in this report, as well as drive new ways of working. This should encompass the key components of excellent risk management as highlighted in the Government’s Orange Book and the ISO 31000 2018 standard set out below, and the effectiveness be reviewed independently every 3-5 years.



Risk Management Framework – The Orange Book

Conclusions and recommendations

We are committed to driving the organisation forward to achieve a risk aware culture and in doing so have identified ways to manage risk which enable us to make effective decisions to meet the Councils objectives. The Task and Finish Group therefore recommend the following actions for COG to assess and agree/enact with reference to SLT

No	Finding	Recommendation	When	Who
1.	The current Corporate Risk Strategy has not been embedded in the organisation and is now outdated.	The Corporate Risk Strategy requires updating with these proposals and signing off by Cabinet	31 March 2021	S151 Officer, Monitoring Officer & CIA
2.	A lack of understanding of the qualitative distinctions among the types of risks that organisations face.	Risk training for all accountable staff. This should include training on the basic components and concepts of risk, Worcestershire CC's approach and reporting tools. Where practical this will be a mixture of face to face and on-line training as appropriate.	30 July 2021	CIA, Risk and Assurance Manager with Corporate OD.
3.	Risk register format, scoring and content is inconsistent. This is giving rise to too many risks rising o the Corporate Risk register. Inconsistencies have been identified between team, service, directorate & corporate risk recording.	The Strategy will include a standard format and scoring for recording risk to ensure consistency across the Councils services and the appropriate routes for escalation. A suggested format is shown at Appendix 1 . This includes standard generic risks that will be reported at the highest level to COG/SLT and must be recognised, considered and reported on at service level. It is recommended that this approach is applied and that all service areas complete updated risk registers using this format by the end of 2020/21; and COG/SLT complete a Corporate Risk register by the same date.	31 March 2021	SLT / COG

No	Finding	Recommendation	When	Who
4.	The corporate risk register needs to be more focussed on higher level priorities.	Corporate risks will be thematic and evaluated against current risk appetite.	31 March 2021	COG/SLT
5.	There is no way to map risks across and up/down the organisation.	The Risk & Assurance Manager should regularly review risks to assess if there are any areas of commonality and share lessons and make recommendations for cross working groups to look at mitigation and action strategies. <i>This relies on services completing the generic risk and assessment per Recommendation 3 of this report.</i>	Ongoing post 31 March 2021	Risk & Assurance Manager Reporting in the first instance to CRMG
6.	Risk reporting is often based on historical data or unsupported data and is not challenged at stages of review. It often does not change over significant periods of time giving rise to no evidence of consideration of the success of mitigation plans or risk appetite.	Risk assessment will be subject to review by the Risk & Assurance Manager and CRMG: All Impact scoring should use the assessment criteria proposed at Appendix 1 (Stage 3) , and will be checked and constructively challenged based on data quality by CRMG on advice of the R&AM. All likelihood scoring should again be based on evidence, although it is accepted some of this may be subjective. Corporate Risk assessment of likelihood should make reference to the individual service scoring. Assessment and challenge will also make reference to scoring and mitigation actions across the Council.	Ongoing post 31 March 2021	Risk & Assurance Manager Reporting in the first instance to CRMG

No	Finding	Recommendation	When	Who
7.	Taking into consideration the reorganisation it is unclear whether the right people are currently in position to record and report risk.	The roles and responsibilities of those involved in the risk process will be clearly identified and highlight the key reporting requirements. A suggested form is set out at Appendix 3.		See Appendix 3
8.	Risk is very infrequently considered by SLT or Cabinet (formal or informal).	Risk should be a formal item considered quarterly by SLT and Cabinet / CBB.	Every quarter	SLT/CBB
9.	Risk is very infrequently considered by DLT (formal or informal).	Risk should be a formal item considered monthly by DLTs and COG on an exception basis, with CRMG frequency as set out in further recommendations.	Every Month	DLT / COG
10.	The findings have made it difficult to move to an effective Internal Audit three lines of defence model. Improving risk management will bolster the efficiency and effectiveness of the Council's whole controls and operating environment.	IA Plan to utilise and refer to the Corporate and Service Risk registers in audit planning.	Ongoing	CIA

No	Finding	Recommendation	When	Who
11.	The current role of the Corporate Risk Management Group has become unclear and unfocused and provides no added value to the process or outcomes. However, it is recognised that an effective group could still do so.	Risks will be challenged by the Corporate Risk Management Group (CRMG) and Risk & Assurance Manager to ensure they are accurate and reflective of the current position.	Ongoing	CIA / CRMG /R&A
12.		The CRMG should be chaired by the CIA and initially meet monthly under a new ToR until exception reporting is more common and the new approach embedded.	Monthly	CIA / CRMG
13.	There is no senior champion to drive and promote risk management. Other organisations have such champions in either a Cabinet Member's portfolio or the Chair of Audit Committee	A Cabinet member appointed as a Risk Champion to raise the profile of risk within the organisation.	30 May 2021	Leader and Chief Executive
14.	There is need for regular review and advice on the risk assessment process	Independent assurance that the Council's Risk Management Strategy, Framework and Policy are effective conducted annually.	30 September 2021	s.151 Officer to commission via LGA

Ultimately it is the responsibility of everyone involved with the Council to embrace the proposed risk culture as effective risk management is an integral part of ensuring the continued delivery of our services and providing organisational resilience during major change and transformation.

APPENDICES

1. Standard Format - Example Risk Register (3 staged approach)

Stage 1 (10 generic risks that MUST be considered and reported on)

KEY CONTACT DETAILS:								INITIAL ASSESSMENT				Aspirational Risk Score (see matrix)
No	Directorate (select drop-down)	Team / Dept	KEY Risk Area	Risk Owner	Risk Description	Date Risk Identified	Current Controls (How do we currently manage this risk?)	Impact	Probability	Overall Score	ASSESSMENT	
1			Staff		There is a risk that we will not have sufficient numbers of staff to fulfil obligations		Recruitment	1	1	1	OPPORTUNITY	0
2			Staff		There is a risk that we will have insufficient numbers of qualified staff to fulfil our obligations		Training	1	1	1	ACCEPTABLE	1
3			IT		There is a risk that we will not have sufficient equipment to fulfil task		Equipment	1	1	1	ACCEPTABLE	1
4			IT		There is a risk that the systems will be insufficient to fulfil tasks		Systems	1	1	1	ACCEPTABLE	1
5			Financial		There is a risk that service will exceed its annual budget		Budget setting	1	2	2	ACCEPTABLE	1
6			Reputational		There is a risk of negative publicity to the council its officer s & members.		Comms	1	1	1	ACCEPTABLE	1
7			Performance		There is a risk that we will fail to deliver regulatory requirements		Training, management, procedures	1	1	1	ACCEPTABLE	1
8			H&S		There is a risk that a member of staff will suffer an injury or illness* at work		Training & equip Liability insurance	1	1	1	ACCEPTABLE	1
9			Compliance		There is a risk that information could be shared incorrectly allowing unauthorised access		System controls, training	1	1	1	ACCEPTABLE	1
10			Compliance		There is a risk that we will get a complaint against the service		Procedures / Quality Assurance	1	1	1	ACCEPTABLE	1

To note this does not preclude the addition of team or service specific risks

Stage 2 (Risk Mitigation & Challenge)

K		REVISED ASSESSMENT								
No	Aspirational Risk Score (see matrix)	Further actions identified to: achieve an acceptable level of risk, strengthen position or explore opportunity	Target Date for further actions	Point of Contact (named person)	Reviewed Impact	Reviewed Probability	Final Score	STATUS	Last date reviewed (monitored risks)	RISK & ASSURANCE ASSESSMENT
1	0				5	1	5	MONITORED		
2	1							CLOSED		
3	1									

Stage 3 (Corporate Assessment)

K		ORGANISATIONAL IMPACT (for Business Critical &)											
No	Last date reviewed (monitored risks)	RISK & ASSURANCE ASSESSMENT	FINANCIAL	REPUTATION	HR	IT	ASSETS	PERFORMANCE	GOVERNANCE	BUSINESS PLANNING	COVID	EU EXIT	Check & Challenge
1			High	High	High	N/A	N/A	Med	Low	Low	High	Med	
2													
3													

Terms of Reference

COG Task & Finish Group – Risk Management

Terms of Reference v1.2

Background

Following the delegations to COG from SLT the group has identified a number of issues to address in respects of the continual improvement of the way the Council operates and works. One of those areas is Risk Management.

Why do we need to review risk management?

The current Risk Strategy reflects an approach which has been used within the Council for some years. The Strategy is not embedded within the Council and risk is seen as the responsibility of a limited number of staff, mainly those on the Corporate Risk Management Group. The number of risks considered by the Corporate Risk Management Group is unmanageable (176), and there is a lack of corporate focus and learning. The way risk is assessed and controlled varies across the Council, with local risk management not always reflected at a corporate level. We currently have two registers, one for Covid but not wider risks and the original register which has not been formally reviewed since the beginning of the Covid crisis. The learning from managing the Covid crisis should be captured going forward. There is no regular reporting or targeted escalation to SLT. Opportunities are not considered as well as risks.

As such risk management practices are deemed poor when compared to say the former CPA key lines of enquiry or other best practices. The service has recently transferred to Finance and there is an opportunity to align the strategy and practices with changes to the way Internal Audit work is performed through the healthy systems approach.

Tasks to address

- 1) To update our Risk and Opportunity Strategy in line with best practice.
- 2) To review practices, skills and changes required to embed risk management in line with the strategy
- 3) To establish a risk rating system which enables consistent management across the Council and allows risks to be assessed and compared.
- 4) To review the current register and simplify reporting through a more thematic approach that will allow greater cross organisation working, as well as clearer accountability. This should draw the distinction between strategic, significant operational risks for COG and operation risks for managers.

- 5) To identify a clear and simple Governance framework to oversee, check and challenge, learn from, as well as escalate matters for attention. This should encompass standardisation and only deemed necessary bureaucracy.
- 6) To suggest a roles and responsibility framework, as well as a training and support programme.
- 7) To identify clear success factors against which the process can be assessed.
- 8) To draw up a series of recommendations for COG to consider that includes a resource and implementation plan that can be monitored by COG and reported to SLT.

Approach & Resources

- Approach:

A task and finish group including COG members and selected officers, supported by the Risk Management and Audit function.

The group should be representative across the council, including WCF, to look at a number of issues that will meet the task objectives set out above. The approach suggested initially should include considering the following, however if any come out of the first meeting these can be added, in consultation with the FLT lead:

- 1) What is best practice (public and private sector)?
- 2) What practices need to be revised?
- 3) What are the options to revise?
- 4) How will options be implemented?
- 5) What is the most effective way to monitor and report?
- 6) What time frame can we address these in?
- 7) What interdependencies are there with other work?
- 8) What resources may be required to successfully implement?

The COG sponsor will be the CFO and he will chair the Group. The Group will be expected to engage with their DLT colleagues to gain views and ideas to feed into the review. The focus will be task and finish and as such it is seen will be completed within in three meetings:

- a) Issues to address and allocate work to be done
- b) Consideration of options to address / improve each issue
- c) Recommended solutions for COG to consider that meet the tasks set out above.

The output of the 3 meetings should be a recommendations report to COG.

- Resources:

It is suggested Michael Hudson is the lead COG member, and that he will Chair the three meetings and support the group. It is suggested Andrew Spice is the SLT lead for Michael to inform and seek counsel if needed.

Michael will be supported and advised on a technical front by Jenni Morris (Chief Internal Auditor) and Rachel Hallam (Risk Manager). The current procedures governing risk include a Corporate Risk Management Group and it is suggested that the task and finish group also consists of members of that group so previous learning and practice (considered good and needs improvement) is known. In addition, two other members of COG are sought to bring service experience to check and challenge the practicalities and usefulness in options for improving and changing ways of working.

The suggested members of the T&F Group are:

- Michael Hudson - **Chair**
- Jenni Morris & Rachel Hallam - **Advisors**
- Sheena Jones, Laura Folkers, Kevin Stilgoe and Vicki Marshall – **Corporate Risk Management Group Representatives**
- Paul Smith and Kath Cobain - **COG Representatives**

It is suggested that the target should be to hold no more than three meetings to appraise the tasks and generate recommendations and these are complete using the data by the middle of October 2020 to present to COG, and then SLT end of October for implementation in November 2020.

Outcomes and timetable

- **Outcomes:**
 - Recognised improvements in our governance, decision making and management. Demonstrated through COG meetings, Cabinet papers and SRDs.
 - Regular reporting to COG and ability to quickly escalate and address an emerging critical risk.
 - Standardisation of practices and skills
 - Clear accountability and understanding of how risk feeds into decision making, enabling strategies and reporting
 - Manageable and one format register
 - Cross cutting projects may arise than siloed tasks to address what should be seen as corporate risk

- **Timetable:**

It is suggested the following timetable is set as an indicative overview:

Task	Who Lead	Deadline
1) Gather issues and appraise validity / priority	Group	11/9/20
2) Identify options to address issues, looking at whether addresses sufficiently or marginal groups; costed / affordable and practicality of implementation.	Group	23/9/20
3) Identify recommendations to put to COG.	Group	30/9/20
4) Issue paper to COG ahead of meeting	Group Chair	5/10/20
5) Present to GOG.	Group Chair & reps as appropriate	12/10/20
6) Summarise recommendations and next steps to SLT	COG Chair	20/10/20
7) Implement recommendations	Action leads identified	Post COG unless quick win agreed via Chair of Group and Chair of COG

Group Members:

Michael Hudson, Chief Financial Officer
 Kathryn Cobain, Director of Public Health
 Paul Smith, Assistant Director for Highways & Transport Operations
 Jenni Morris, Chief Internal Auditor
 Sheena Jones, Democratic Governance & Scrutiny Manager, CoaCh
 Laura Folkers, Business Manager, Worcester Children First
 Vicki Marshall, Acting Business Operation Manager, People
 Kevin Stilgoe, Business administration & Systems Manager, E&I
 Rachel Hallam, Risk & Assurance Manager

Appendix 3

Roles & Responsibilities:

Who	Key Roles & Responsibilities	Frequency
Council	-Receive and act upon reports from Cabinet, Committee etc	As necessary
Cabinet	-Agree the Corporate Risk Management Policy & Strategy -Hold political responsibility for Risk Management -Appointment of Risk Champion	
Cabinet Risk Champion	To raise the profile of risk within the organisation To liaise with Risk Manager	
Audit Committee	-Oversee and challenge the Risk Management Strategy -Quarterly review of Corporate Risk Register.	Annually Quarterly
Senior Leadership Team (SLT)	-Quarterly review of Corporate Risk Register and action as appropriate with risk appetite reset -Feedback to COG	Quarterly
Chief Officers Group (COG)	-Monthly assessment of corporate risk register including scores, exceptions, actions and recommendation. -Advice and guidance to SLT -Feedback to DLT & R&AM	Monthly
Directorate Leadership Team (DLT)	-Review directorate risk register -Elect and Liaise with relevant CRMG representative -Promote risk culture	Monthly
Chief Internal Auditor	-Provide reports to Audit committee on risk plan and risk approach	As necessary
Risk & Assurance Manager	-Review & constructively challenge all risk register -Identify cross cutting risks as they emerge and provide advice to COG. -Provide advice, guidance & training to those with risk responsibility	As necessary
Corporate Risk Management Group (CRMG)	-To review team & directorate risk registers. - To work with and highlight emerging risks to the Risk & Assurance Manager	Monthly As necessary
Risk Owners	-To understand their role in the risk & provide appropriate direction and action mitigations	As necessary
Risk 'Managers'	-Monitor and review risks, escalating or removing where appropriate and deliver mitigations -Complete higher-level training annually.	Regularly, but monthly as a minimum.
Managers	-To record or report any relevant risk and mitigating actions to the risk manager.	As necessary
Staff	-To undertake risk training -To manage risk effectively in their role -To report any other risks or opportunities to their manager	As necessary

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AUDIT AND GOVERNANCE COMMITTEE 4 DECEMBER 2020

STATUTORY ACCOUNTS UPDATE

Recommendation

1. **The Chief Finance Officer recommends that the Statutory Accounts update report be noted.**

2019/20 Statutory Accounts Process

2. Following the delegations agreed at the last committee meeting on 2 October 2020, I am happy to confirm that the County Council's and the Worcestershire County Council Pension Fund's 2019/20 Statutory Accounts were signed off on 27 October 2020. Additionally, the external auditor has issued an unqualified Value for Money conclusion for the County Council on the same day.
3. There remains as planned some audit fieldwork around the completion of the Whole of Government Accounts statistical return before the Audit Certificate can be issued. This work is in progress with no matters arising.

Progress on 2020/21 Statutory Accounts Process

4. Whilst the statutory deadline for the 2020/21 accounts process has yet to be confirmed, we will continue with our existing plan to prepare accounts in time for them to be audited and ready for a July committee approval. The Council has well established processes around the production of the accounts and we are expecting to complete our plan as usual.
5. We will continue to work with Grant Thornton around these assumptions and will agree a plan that will be flexible to cater for changing circumstances.

Team - Resources

6. The 2019/20 accounts process saw a significant increase in focus and work on areas such as financial assumptions, reliance on experts, value for money, going concern and the valuation of assets.
7. As a result, a review of staffing resources has been undertaken as part of the Finance Improvement Programme and we are in the process of increasing the number of qualified accountants that directly support the accounts process. This strengthening of resources will enable the Council to respond to the increased reporting and audit scrutiny work, and will be in place from January 2021.

IFRS16: Leases

8. In response to the challenges to financial reporting presented by COVID-19 in 2019/20, CIPFA/LASAAC agreed to defer the implementation of IFRS16: Leases to the 2020/21 financial year, with an effective date of 1 April 2021. Under the new standard,

which replaces IAS 17, leases will no longer be classified as finance or operating leases and all leases will be recognised on balance sheet with the exception of short-term leases (leases of 12 months or less) and low value assets (where the right-of-use asset is less than £10,000).

9. In 2019/20 we carried out a detailed review to consider the Council's lease arrangements and identify where the exemptions in respect of short-term and low-value assets could be applied. As part of the accounts preparation work in 2020/21, we are continuing to collect information to ensure completeness across Directorates, Schools and Land & Property assets.

10. In the 2020/21 Statement of Accounts, we will disclose an estimate of the impact of the application of the new standard in terms of the value of right-of-use assets and lease liabilities to be recognised on Balance Sheet from 1 April 2021 and the depreciation charge and interest expense to be recognised in the Comprehensive Income & Expenditure Statement.

Accounting treatment: Dedicated Schools Grant

11. Subject to parliamentary approval of Statutory Instrument, new regulations will apply to the accounting periods beginning 1 April 2020, 2021 and 2022 in respect of the accounting treatment of the Dedicated Schools Grant (DSG).

12. The new regulations require that where a local authority has a deficit on its school budget, the deficit must not be charged to its revenue account; instead the authority must charge the deficit to a separate account, established and useable solely for that purpose.

13. This unusable reserve will record deficits until the expiry of the statutory override. Whilst the Statutory Instrument is in effect, any surplus positions will not be transferred to this unusable reserve but will continue to be held ring-fenced as they currently are.

14. Following the expiry of the override, the deficit position will be offset by the accumulated surplus at that date. Government will continue to review the position at the end of this period to determine the need for an extension of the Statutory Instrument.

2020/21 Accounts planning

15. In response to the recommendations included in the Action Plan presented by Grant Thornton in the Audit Findings Report for the year ended 31 March 2020, we have identified key areas for improvement in our working papers and, alongside our regular planning processes, will seek to strengthen supporting information in respect of recording of the Council's assets.

16. We have already planned our approach to asset valuations for 2020/21 and will be issuing a work instruction to the external valuer to begin the process in due course.

Contact Points

Specific Contact Points for this report

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Background Papers

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

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AUDIT AND GOVERNANCE COMMITTEE 4 DECEMBER 2020

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

12 March 2021

Internal Audit Progress Report 2020/21
Internal Audit Plan 2021/22
Corporate Risk Report
Income and debt

29 July 2021

Internal Audit Annual Report 2020/21
External Audit – Audit Findings Report
Annual Governance Statement
Annual Statutory Financial Statements for the year ending 31 March 2021
Internal Audit Progress Report 2021/22
Corporate Risk Report

1 October 2021

Internal Audit Progress Report 2021/22
External Auditor – Annual Audit Letter
Corporate Risk Report
Anti-Fraud Report 2020/21
Income and debt

3 December 2020

Internal Audit Progress Report 2021/22
External Auditor – Annual Audit Letter
Corporate Risk Report

Contact Points

Specific Contact Points for this report
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Background Papers

In the opinion of the proper officer (in this case the Strategic Director for Commercial and Change) there are no background papers relating to the subject matter of this report.