

## **Minutes of the Audit and Governance Committee**

### **County Hall, Worcester**

**Wednesday, 30 November 2022, 2.00 pm**

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#### **Present:**

Cllr Nathan Desmond (Chairman), Cllr Laura Gretton, Cllr Peter Griffiths and Cllr Emma Stokes

#### **Available papers**

The members had before them:

- A. The Agenda papers (previously circulated); and
- B. The Minutes of the meeting held on 23 September 2022 (previously circulated)

#### **662 Apologies and Named Substitutes (Agenda item 1)**

Apologies were received from Cllrs Salman Akbar, Andy Fry, Luke Mallett and Dan Morehead.

#### **663 Declarations of Interest (Agenda item 2)**

None.

#### **664 Public Participation (Agenda item 3)**

None.

#### **665 Confirmation of Minutes (Agenda item 4)**

**RESOLVED** that the Minutes of the meeting held on 23 September 2022 be confirmed as a correct record and signed by the Chairman.

#### **666 Statutory Accounts and Pension Fund 2021/2022 - External Audit Findings Report (Agenda item 5)**

The Committee considered the Statutory Accounts and Pension Fund 2021/2022 - External Audit Findings Report.

Mark Stocks and Terry Tobin, representatives of Grant Thornton, the Council's external auditor introduced the report and made the following points:

- The audit of the Accounts went well with the paperwork presented to a good standard. The majority of the audit work had now been completed
- Grants – There had been changes to the accounting arrangements in this complex area. Significant sums were involved but overall, there had been no changes to the Council's level of resources
- Infrastructure – It was anticipated that the Statutory Instrument would pass into law on 25 December with a paper from CIPFA expected in the new year. This would allow the Council's Statement of Account to be signed off in January. It would also allow CIPFA time to find a permanent solution to the infrastructure auditing arrangements
- There were no significant risks to report. Ideally, the Council might wish to further strengthen its journal controls
- Pension Fund – The audit went well with good joint working. An unqualified audit opinion would be issued.

In the ensuing debate, the following points were made:

- When was the Council required to find a permanent solution to the infrastructure auditing arrangements? Mark Stocks responded that the changes would come into effect from the 2024/25 financial year. Michael Hudson emphasised the importance of the guidance which would be included in the CIPFA statement due to be issued in January. An initial assessment of the work required to be done would be reported to the March Committee meeting. It was important that work commenced on addressing this issue now rather than wait until 2024
- In response to a query raised about the external auditor's comments about the need to strengthen the Council's journal controls, Mark Stocks commented that the level of controls varied between councils and depended on each council's approach to the use of IT. Michael Hudson added that the Council would be working with IT to improve these controls through the E5 system
- It was queried how the change to the treatment of food waste under the Environment Act would impact on the valuation of the Energy from Waste plant at Hartlebury. Mark Stocks advised that the impact of this change in legislation on the income flows needed to be determined and whether there would be any impact on the value of the plant
- In response to a query, Chris Bird explained that the external auditor had raised an issue about formatting of Asset Registers rather than any deficiencies in the information stored. This presentation issues had now been addressed and the register had been updated into a workable format
- In response to a query about weaknesses in general IT controls, Terry Tobin acknowledged that although more work needed to be done to improve IT controls, it was not significant issue. There were timeframes for action which would be revisited. Michael Hudson added that the Council had accepted the external audit findings and had reviewed and would continue to review its mitigating controls. A cost benefit analysis

had been undertaken of each recommendation. Mark Stocks indicated that it was a matter for the Council to determine its risk management levels in response to the issues raised by the external auditor

- It was requested that a report be brought to the meeting of the Committee on 10 March 2023 providing an update on the progress being made on the development of IT systems to improve the management control mechanisms over journals
- In relation to the Pension Fund, were there any risks associated with pension fund investment in Russia? Michael Hudson advised that the Fund did not have any investment or links in Russia
- In response to a query, Michael Hudson indicated that the Council's position in relation to the use of earmarked reserves would be made clear in reports to Cabinet in the new year
- The Chairman recognised that the Accounts were in a good position for sign-off. He acknowledged the work of Michael Hudson, Chris Bird and the Accounts team and the good working relationship established with representatives of Grant Thornton.

**RESOLVED that:**

- a) The Audit Findings Report 2021/22 for Worcestershire County Council as set out in Appendix 1 be noted;**
- b) The Audit Findings Report 2021/22 for Worcestershire Pension Fund as set out in Appendix 2 be noted;**
- c) A report be brought to the meeting of the Committee on 10 March 2023 providing an update on the progress being made on the development of IT systems to improve the management control mechanisms over journals; and**
- d) There are no issues arising from the Report to draw to the attention of the Council.**

**667 Annual Statutory Financial Statements for the year ended 31 March 2022 (Agenda item 7)**

The Committee considered the Annual Statutory Financial Statements for the year ended 31 March 2022.

In the ensuing debate, the following points were made:

- Chris Bird indicated that there had been very few changes to the draft Accounts reported to the July Committee meeting, none of which were material in nature
- In response to a query, Terry Tobin confirmed that the Statutory Instrument relating to the accounting treatment of Infrastructure assets would be considered by parliament today. There was then a 21-day resting period before it could be enacted. Mark Stocks added that he hoped to provide an audit opinion on the Accounts in January, the exact

timing depended on when the CIPFA guidance paper was released. He emphasised that the Council was in a good position to have its accounts signed off at that point. Other councils were in a worse position and likely to receive greater external audit scrutiny as a result. Michael Hudson added that in some cases, the delay had been caused by other external audit companies being behind schedule with their audit work

- Michael Hudson indicated that a report would be brought to a future Committee meeting outlining the Council's approach to the valuation of infrastructure assets following the confirmation of statutory override and the subsequent CIPFA guidance paper
- In response to a query about the amount of work that would be needed to meet statutory requirements for the valuation of infrastructure assets, Michael Hudson explained that it was important that any information brought forward was accurate and included an understanding of the correct application of asset lives. The Council would need to consult an expert valuer and establish how the valuation compared to the CIPFA guidance. It should be noted that there was no requirement to backdate this information. Terry Tobin added that the statutory override would ease the burden for the Council but there were still elements of infrastructure that would need to be assessed for depreciation. However, the work would become more straightforward each subsequent year as assumptions were brought forward
- A concern was expressed that the additional work associated with the valuation of infrastructure assets had no value to the accounting process and did not represent good VFM given the cost of the work involved. Mark Stocks indicated that this work would not be resource intensive for a couple of years
- In response to a query, Michael Hudson confirmed that general reserves had been kept at a relatively consistent level over the last ten years
- Michael Hudson thanked and congratulated Rachael Hart and Julie Tramner (who had left the Council) and Chris Bird and the accounts team including Jake Dudley and Phil Morgan for their tremendous achievement in completing the accounts. The Chairman echoed those thoughts on behalf of the Committee.

**RESOLVED that:**

- a) The latest draft of the Final Accounts Pack, including the Statement of Accounts for the financial year ended 31 March 2022, be noted;**
- b) The listed amendments from the Draft Accounts Pack published in July 2022 be noted;**
- c) The Chairman, in consultation with the Vice-Chairman of the Committee be authorised to approve the Final Accounts Pack, including the Statement of Accounts for the financial year ended 31 March 2022, at a later date subject to receipt of the Audit Opinion;**

- d) If c) above cannot be followed through and instead a special meeting of the Committee be convened to sign off the Statement of Accounts; and
- e) The Chief Financial Officer be authorised to sign the Letters of Representation on behalf of the County Council.

## **668 Annual Governance Statement (Agenda item 6)**

The Committee considered the Annual Governance Statement.

Chris Bird introduced the report and confirmed that there had been no changes to the draft Annual Governance Statement reported to the July Committee meeting.

**RESOLVED** that:

- a) Subject to the approval of the Worcestershire County Council Statutory Accounts 2021/22 and Worcestershire County Council Pension Fund Accounts 2021/22 by the Chairman in consultation with the Vice-Chairman, the Chief Financial Officer be authorised to arrange for the Annual Governance Statement 2021/22 to be formally signed by the Chief Executive and Leader of the Council; and
- b) If a) above cannot be followed then consideration of the Annual Governance Statement 2021/22 be deferred to a special meeting of the Committee.

## **669 Appointment of External Auditors Update (Agenda item 8)**

The Committee considered the appointment of External Auditors Update.

**RESOLVED** that the appointment of Grant Thornton as the auditor of Worcestershire County Council and Worcestershire Pension Fund for five years from 2023/24 be noted.

## **670 Annual Governance Update (Agenda item 9)**

The Committee considered the Annual Governance Update.

In the ensuing debate the following points were made:

- Michael Hudson indicated that progress on the update of the Constitution had been delayed following the departure of the Monitoring Officer. The confirmation of the appointment of a new Monitoring Officer was imminent. He was confident that the appointee would be able to catch-up on this work. He anticipated that the revised Constitution would now be brought to the July Council meeting. A further Annual

Governance update report would be brought to the March Committee meeting

- The Chairman recognised the work that was taking place to address the audit actions, acknowledging the reasons for the delay in updating the Constitution and that work would pick up during the year.

**RESOLVED that:**

- a) **The Annual Governance update be noted; and**
- b) **An update be brought to the meetings of the Committee on 10 March and 21 July 2023.**

**671 Internal Audit Progress Update (Agenda item 10)**

The Committee considered the Internal Audit Progress Update.

In the ensuing debate, the following points were made:

- Michael Hudson explained that following the failure to reach an agreement with the Worcestershire Internal Audit Shared Service to provide internal audit staff support, other arrangements to address a staffing shortfall were being considered including a continuation of the current arrangements albeit recognising that this was a short-term solution. The position of Chief Internal Auditor would be advertised while other options were being pursued
- What recourse was left open to the Council should the second Letter of Concern fail to address internal audit's concerns about the lack of action taken by a particular school? Andy Bromage advised that if no further action was taken by the school then Internal Audit would need to understand why the school was unable to respond and react accordingly. It should be noted that some action had already been undertaken by these schools following the first Letter of Concern but not enough to satisfy Internal Audit.

**RESOLVED that the Internal Audit progress report be noted.**

**672 Finance Improvement Programme (Agenda item 11)**

The Committee considered the Finance Improvement Programme.

In the ensuing debate, the following points were made:

- Michael Hudson reported that good progress had been made with the programme particularly with the development of the E5 and accounts payable projects. This work formed part of the savings to be reported to February Council
- In response to a query, Michael Hudson explained that there remained aspects of the accounts payable system that needed updating to enable the system to be fully automated.

**RESOLVED** that the report be noted and that further updates are brought to the Committee in July 2023.

**673 People Directorate - Debt Position Statement (Agenda item 12)**

The Committee considered the People Directorate - Debt Position Statement.

In the ensuing debate, the following points were made:

- Mark Fitton, Strategic Director for People explained that increasing levels of Adult Social Debt was not unique to this Council. It was only the size and scale of debt that varied nationally. It should be noted that the key focus for a social worker at the point of delivering social care was the health of the service user. The Council had a duty of care to the service user and could not withdraw the service whether or not a service user or their family could or would not pay
- Concern was expressed at the trend of debt level increases, the approach taken to debt recovery and the timeframe for sending invoices following the financial settlement. Mark Fitton acknowledged that processes needed to be improved and made the following points:
  - At the point of assessment, the social worker should be able to provide the service user with written information about service charges. Social workers needed to understand that part of their role was to ensure value for money. A process was in place to engage with social workers accordingly.
  - Some of the current telephony and IT processes did not allow for a conversation to be held with service users about payment arrangements. Ideally the Council needed to reach a point where the majority of payments were made by direct debit.
  - The whole process for adult social care payments was being mapped to establish where improvements could be made.
  - Currently charging started 90 days from receipt of care. The aim was to reduce this timeframe to 30 days
  - At present, some service users were paying as requested whilst others either could not or would not pay. It was important that everyone was treated equally and required to pay on time
  - Where clients lived in residential care homes, the onus should be on the resident care home to arrange payments for care thereby taking this risk away from the Council
- Jane Way, FOS Operational Manager explained that service users were provided with a leaflet explaining the care costs at the initial contact but given the difficult circumstances, the message about payment was not necessarily acknowledged or recognised. The aim was to complete an assessment of the cost of the service within 6 weeks although this did not always happen for various reasons. The billing process could then take a further 4 weeks
- Concern was expressed that the Council was always saddled with an approximate 10-week level of debt from the outset irrespective of how wealthy the client was. Mark Fitton responded that if the client was

wealthy then it was likely that they would be a self-funder and could enter into a deferred payment scheme whereby the debt was accrued against the value of their property

- Direct debit was clearly the best and most effective way of arranging payment. Nicky Hardman, FOS Manager - Income and Debt Team indicated that at present direct debits were set up at the point of the receipt of the first invoice. Michael Hudson added that work on improving the invoicing process had been impacted by Covid. The process needed to be improved significantly before direct debits became the main means of payment
- It was queried whether it was possible to introduce an interim assessment process to speed up the receipt of payment. Jane Way indicated that the Ombudsman had deemed this approach unlawful following a case involving Cornwall County Council,
- Would it be possible to make the leaflet handed over at the point of contact into a legally binding contract? Michael Hudson responded that it should be borne in mind that social workers were dealing with the most vulnerable members of society and therefore a softer engagement was required at the initial point of contact. However, he acknowledged that the charging processes needed to be improved
- In response to a concern about the 6-week period needed for the completion of an assessment, Jane Way explained that the majority of assessments were completed within 4 weeks. Efforts were being made to speed up the assessment process
- It was important that processes were improved to avoid debt accumulating in the first instance and that historic debt was chased
- It was queried whether the use of an external collection service had been ruled out. Michael Hudson advised that the Council was looking at perhaps using debt collector headed paperwork as a means of encouraging payment or passing the work to a debt collecting agency. There were sensitivities to bear in mind particularly in the case of a service user passing away or sending a bailiff into a residential home. The Council was looking at all options to find the best approach
- It was requested that a further report be brought to the July Committee which would give officers time to complete the mapping exercise. The report should focus on setting out details of progress of the plans in place to prevent social care debt accumulating from the initial point of contact with the service user receiving the care.

**RESOLVED that:**

- a) The Debt Position Statement for the People Directorate be noted; and**
- b) An update be brought to the Committee meeting of the Committee on 21 July 2023.**

**674 Committee Training Proposals (Agenda item 13)**

The Committee considered the training proposals.



In the ensuing debate, the following points were made:

- In response to a query, Michael Hudson indicated that it was possible that certain aspects of the e-learning modules could be opened up to all councillors
- Michael Hudson explained that the e-learning modules would be split into smaller blocks to make it easier for councillors to complete the training in sections. The technical training sessions would be held in the allocated training slot arranged prior to each Committee meeting. The effectiveness of local government's ability to assess its governance arrangements was being challenged nationally. It was therefore important that the Council demonstrated the effectiveness of the Audit and Governance Committee. The training of Committee member formed an important part of the evidence-base. It was therefore intended to include a Committee Annual Report as part of the review of the Constitution which would incorporate member training attendance.

**RESOLVED that the Training Proposal attached as an Appendix to the report be approved.**

**675 Work Programme (Agenda item 14)**

The Committee considered the work programme.

In the ensuing debate, it was noted that a report would be brought to the Committee meeting on 10 March 2023 providing an update on the progress being made on the development of IT systems to improve the management control mechanisms over journals.

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

The meeting ended at 4.55pm.

Chairman .....