

Minutes of the Audit and Governance Committee

County Hall, Worcester

Friday, 23 September 2022, 10.30 am

Present:

Cllr Nathan Desmond (Chairman), Cllr Salman Akbar, Cllr Andy Fry,
Cllr Peter Griffiths, Cllr Dan Morehead 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 22 July 2022 (previously circulated)

652 Apologies and Named Substitutes (Agenda item 1)

Apologies were received from Cllrs Laura Gretton and Luke Mallett.

653 Declarations of Interest (Agenda item 2)

None.

654 Public Participation (Agenda item 3)

None.

655 Confirmation of Minutes (Agenda item 4)

RESOLVED that the Minutes of the meeting held on 22 July be confirmed as a correct record and signed by the Chairman.

656 Internal Audit Progress Report (Agenda item 5)

The Committee considered the Internal Audit Progress Report.

In the ensuing debate, the following points were made:

- In response to a query, Kate Kenderdine, Audit and Compliance Manager explained that the bus subsidy ring-fenced grant referred to in Q2 was the same as the Bus Subsidy Revenue grant referred to in Q3. More consistent terminology would be used in the future
- Concern was expressed that there remained 4 outstanding audit actions relating to HR mileage and expenses between 0-3 months old. Kate Kenderdine explained that these actions related to policy and reporting mechanisms. It had taken a while for these actions to be implemented but regular conversations were being held with staff and the situation was being monitored. It was anticipated that some of these actions would be addressed before the next Committee meeting
- Concern was expressed about the school audit process, for example the performance of Chaddesley Corbett Endowed Primary School appeared to be moving in the wrong direction. Kate Kenderdine explained that the School Support Forum was a useful aid to Internal Audit for highlighting and addressing concerns about the progress of particular school audit actions and for example determining which schools might require an audit on a specific area. As a result of discussions with the Forum, it had been agreed to issue a 'Letter of Concern' to schools via the Chair of Governors when an outstanding school action reached 3-6 months old. Two such letters had been issued to date.

RESOLVED that the Internal Audit progress report be noted.

657 Annual Governance Update (Agenda item 6)

The Committee considered the Annual Governance Update.

Michael Hudson, Chief Financial Officer introduced the report and highlighted the following issues:

- Grant Thornton, the Council's external auditor had recently issued a report about learning lessons from recent local government failures. In particular, it focused on the effectiveness of audit committees. He would share this report with the Committee
- Previously, there had been a shift in focus in risk analysis onto the importance of the governance of the Council and this had been reflected in the Annual Governance Action Plan
- The majority of the actions set out in the Annual Governance Action Plan would be completed by May 2023. The Monitoring Officer had recently left the Council. Sheena Jones had been appointed as Monitoring Officer on an interim basis. Unfortunately, this change had caused some delay in the work. It was acknowledged that the update of the constitution needed to be addressed urgently.

In the ensuing debate, the following points were made:

- In response to a concern expressed that the audit actions relating to governance appeared to be slipping into the next financial year, Michael Hudson explained that all the actions in the plan would be addressed in

this financial year. However, the constitutional changes should and would be approved at the Annual Council meeting in May 2023. Presently, there was inconsistency in the completeness or otherwise of directorate schemes of delegation which left the Council open to challenge. The updated schemes of delegation would be completed to form part of the constitutional report to Council in May 2023

- Given the importance of the work associated with the update of the constitution, the Committee requested that the Monitoring Officer be invited to attend the meeting on 2 December to update members on progress.

RESOLVED that:

- a) The Annual Governance update be noted; and**
- b) The Monitoring Officer be invited to attend the meeting on 2 December to update members on the progress updating the Constitution.**

658 Statutory Accounts and Pension Fund 2021/22 - External Audit Update (Agenda item 7)

The Committee considered the Statutory Accounts and Pension Fund 2021/22 - External Audit Update.

Terry Tobin and Muriel Clementson, representatives of Grant Thornton were in attendance.

Chris Bird, Senior Finance Business Partner introduced the report and commented that the Council was now required to make a disclosure on its infrastructure assets which involved a breakdown of the components of each asset. This was a time-consuming and expensive task. It was not possible for the Council to meet this requirement for the 2021/22 Accounts and therefore the external auditor would only be able to issue a qualified audit opinion. As this was a national issue and many other councils were in a similar position, CIPFA were working with the Government to establish a statutory override which would allow the external auditor to issue an unqualified audit opinion. It was hoped that confirmation of the statutory override would be received by mid-October and an additional meeting of the Committee had been arranged on 4 November to approve the Accounts prior to the statutory deadline.

In the ensuing debate, the following points were made:

- In response to a query, Terry Tobin commented that the Council was in a good position to complete the Accounts for sign-off in accordance with the statutory deadline subject to a resolution being found to the national issue relating to the accounting arrangements for infrastructure assets. It should be noted that a number of councils had not yet had their 2021 Accounts signed off by the external auditor
- What would happen if the decision by the Government regarding the statutory override was delayed or not agreed at all? Michael Hudson

responded that there had already been a slight delay caused by the death of the Queen. If it slipped beyond the 4 November Committee meeting then he proposed that that planned date be used for training purposes. He would then liaise with the Chairman and Vice-Chairman to arrange a further meeting of the Committee prior to the statutory deadline. If the Government decided not to agree to a statutory override then the external auditor would issue a qualified opinion which would have an impact on the work of the Council and the external auditor going forward

- Concern was expressed that this issue had been known for some time but not addressed by the Government and professional accounting bodies
- What action would the Council need to take to meet the new infrastructure account requirements in the future? Michael Hudson advised that the scale of the road and footpath network would mean that the Council would need to employ a structural engineer to collect all the necessary data. The finance team would need to advise the engineer of what data was necessary and this information had yet to be made available by CIPFA. The finance team would then need to employ a professional valuer to assess the data provided.

RESOLVED that the update on Infrastructure Assets, and the impact on the 2021/22 Audit and Accounts timetable be noted.

659 Risk Management Update (Agenda item 8)

The Committee considered the Risk Management Update.

Michael Hudson introduced the report and made the following points:

- The introduction of risk management arrangements was a work in progress albeit a tremendous amount of work had already been undertaken
- There were approximately 1,000 operational risks in total
- The Council had appointed risk champions and a risk management group to look at the risk management processes
- The risk management work had been primarily focussed on operational risks but more work was needed to be undertaken to understand strategic risks
- The Pentana software system had been introduced which enabled the Council to categorise risks as required and most importantly identify emerging risks which had become the main focus for the organisation
- Recruitment and retention of staff had been identified as a key emerging risk and mitigation measures were being developed to address this issue.

In the ensuing debate, the following points were made:

- How was the risk register broken down between high and low risks and were risks categorised in their totality or between different area and how

was the process kept under review? Michael Hudson responded that risks would be reviewed by the service/operational manager and the risk manager through the Pentana IT system. The Pentana system was able to categorise risks into variety categories including service areas. It was a sophisticated system which needed to be utilised properly

- Had the likelihood of risks occurring been assessed within the risk processes for example whether addressing a particular risk added any value back to the organisation? Michael Hudson commented that guidance was provided to service/operational managers about the likelihood and impact of risks. At some point value for money would also need to be factored in and therefore risks were also linked into finance
- What process existed for a member of staff to feed information into the risk process and how much of risk awareness was led by senior management rather than a bottom-up approach through staff identifying emerging issues? Michael Hudson commented that this was a piece of work that had yet to be undertaken
- How had employee retention been identified as an emerging risk? Michael Hudson responded that information had been gleaned from people leaving the organisation through their exit interviews as well as through feedback received from the annual staff review process
- It was requested that progress on action taken against the top 6 risks be included in a future report
- What mitigation measures were being undertaken to address risks? Michael Hudson indicated that further work was required on understanding the mitigation measures being taken
- It was agreed that the Senior Leadership Team (SLT) be requested to address the issue of risk management with greater urgency. Michael Hudson undertook to address the issue with SLT and report back to the Committee in December.

RESOLVED that:

- a) The Risk Management update be agreed; and**
- b) The Senior Leadership Team be requested to address the issue of risk management with greater urgency.**

660 People Directorate - Debt Position Statement (Agenda item 9)

The Committee considered the People Directorate - Debt Position Statement.

The Chairman informed the Committee that due to an important urgent engagement, Mark Fitton, Strategic Director for People was unable to attend this meeting. Michael Hudson added that a further report would be brought to the December Committee meeting and the Strategic Director for People would be invited to attend that meeting.

In the ensuing debate, the following points were made:

- Concern was expressed about the mental health and well-being implications of the Council becoming more efficient at chasing down social care debt. Michael Hudson explained that part of the problem was that the cost of social care was not being raised by social workers during the initial care assessment because the focus at that stage was on addressing the physical needs of the service user and not on the financial matters and associated mental health implications. This needed to be addressed in the future. The debt sat with the service user and it was important that the service user understood the charging implications from the outset
- In response to a query about the ability to charge on an individual's assets for services, Michael Hudson explained that the Council did enter into legal agreements to charge debt against a property. This had been a very secure means to settle debt with house prices continuing to rise over a prolonged period. However, a downturn in the housing market would be a risk for the Council
- In response to a query, Michael Hudson indicated that work had not been undertaken to understand the split between of debt between residential and domestic care. Members requested further information on the split
- In response to a query about the levels of debt write-off, Michael Hudson commented that there was a risk to the Council that the number of write-offs increased, particularly due to the impact of covid. The level of write-off had been kept under review. Debt write-off was used very sparingly and the Council's legal team made every effort to avoid circumstances reaching that point
- Debt was a massive issue for the Council and appeared to be moving in the wrong direction, particularly in relation to adult social care
- There needed to be a clear distinction between the aspects of social care support that were statutory and those elements that were not. If a service was not statutory, the onus should be on the service user to sort out payment arrangements before the service was provided. The Council should not have to seek payment in arrears. Michael Hudson responded that the initial priority was to ensure that the care arrangements were in place for the service user, it was only then that discussions took place about the statutory basis of that care. It was a very complicated process to manage. Different payment approaches were being considered including 'open banking' which allowed the Council access to a service users' account
- It was requested that further detailed information on the recovery of debt and bad debt calculations be included in the next report to Committee
- In response to a query about escalating the risks associated with adult social care debt within the organisation, Michael Hudson explained that he along with the Strategic Director for People and the Cabinet Member with Responsibility for Adult Social Care had raised the issue SLT and the Corporate Business Board. The next report to Committee would set out the mechanisms for charging for social care and what aspects of social care the Council could legally charge for
- In response to a request, Michael Hudson indicated that the table in the report setting out the overview of the People Directorate Debt levels

would include an indication of the direction of travel in the next report to Committee. The report would also include an indication on a monthly basis as to how the percentage of unpaid debt related to the level of charges originally raised by the Council.

RESOLVED that the Debt Position Statement for the People Directorate be noted.

661 Work Programme (Agenda item 10)

In the ensuing debate, it was requested that should the sign-off of the Accounts be further delayed, the possibility of transferring items scheduled for the December meeting to the November meeting be considered.

RESOLVED that the work programme be noted.

The meeting ended at 1.00pm.

Chairman