

Minutes of the Audit and Governance Committee

County Hall, Worcester

Friday, 10 March 2023, 10.30 am

Present:

Cllr Nathan Desmond (Chairman), Cllr Salman Akbar, Cllr Andy Fry,
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 30 November 2022 (previously circulated)

676 Apologies and Named Substitutes (Agenda item 1)

Apologies were received from Cllrs Luke Mallett and Dan Morehead.

677 Declarations of Interest (Agenda item 2)

None.

678 Public Participation (Agenda item 3)

None.

679 Confirmation of Minutes (Agenda item 4)

RESOLVED that the Minutes of the meeting held on 30 November 2022 be confirmed as correct record and signed by the Chairman.

680 External Auditor's Annual Report 2021/22 (Agenda item 5)

The Committee considered the External Auditor's Annual Report 2021/22.

Mark Stocks, Key Audit Partner from Grant Thornton, the Council's external auditor introduced the report and made the following points:

- Overall the Council was a well-managed organisation. It was facing the same issues as other councils nationally and was doing its best to address those issues
- He was satisfied with the Council's arrangements for financial sustainability
- There were some minor recommendations around governance but overall the Council's governance arrangements were satisfactory
- In relation to Economy, Efficiency and Effectiveness (EEE), no significant weaknesses had been identified but it remained an area of focus for the Council
- The Council had a satisfactory level of resources
- The Council needed to focus on its level of overspend to ensure it established a balanced financial position but it was not a major concern given the Council's level of reserves
- The Council's level of borrowing was comparatively high which was something that the Council needed to bear in mind
- The budget gap was an issue facing all councils and the Council would need to find a way to address it
- The Council had not delivered on its saving plans in previous years. The management of saving plans would become increasingly important going forward
- The Council's risk management arrangements were satisfactory albeit a number of recommendations were included in the Report. It was important to ensure that the Council's Constitution set out the appropriate delegations
- Although the satisfaction level of user feedback was slightly down, it was not a matter of concern
- A number of recommendations had been made concerning the Council's procurement arrangements.

In the ensuing debate the following points were made:

- Should the Council be concerned that none of the EEE risk criteria had been rated as green? Mark Stocks commented that the majority of councils had had issues that needed to be addressed therefore an amber ratings across all risks was not unexpected or unusual
- In response to a query about the use of reserves to address the Council's overspend, Mark Stocks accepted that on occasion, to address a particular issue, the Council might decide to use its reserves. However, councils should not rely on reserves as a means of funding demand-led services or avoiding making key policy decisions
- Michael Hudson, the Chief Financial Officer explained that the Council would need to focus on 3 key areas to address the £13.1m overspend namely adult social care including learning disabilities, children's placements and home-to-school transport. As yet no long-term funding solution had been found to address the funding gap in these areas. For example, home-to-school transport was difficult to predict and the Council's forecasting arrangements needed to improve

- Was the cost of borrowing for this Council high compared to other councils? Michael Hudson explained that there were two factors which impacted on the Council's borrowing arrangements: the Council's success in turning significant amounts of highways works into capital expenditure; and the Council's less than successful attempts to secure Government grant funding. The Council's borrowing figure was 9% of net spend. He considered that this figure should never go above 10% although some councils had done so. The danger was that the Council would be locked into long-term payments as a result. It was something that the Council needed to monitor
- How would the Council ensure that people with learning disabilities received their fair share of funding in the budget? Michael Hudson advised that the Council had moved to an all-age disability approach so that clients could be catered for throughout their life journey from an early age. The Strategic Director for People had engaged a consultant to look at policy options going forward
- Mark Stocks commented that councils would be faced with significant financial pressures over the next 5 years which would require difficult policy decisions and transformations in the way services were delivered
- There did not appear to be any long-term financial stability in local government which had not been helped by short-term government financial settlements
- Risk was an area where the Council needed to do more corporately in terms of assessing risks, determining priorities and mitigating measures. Michael Hudson responded that the Committee might wish to invite the representatives of SLT who were responsible for leading the revised risk programme to the July Committee meeting to update members on progress
- Steph Simcox, Deputy Chief Finance Officer explained that as part of the 2023/24 Financial Management Plan, the Council had implemented a vacancy management savings target in the 2023/24 budget which now budgets for saving that were made via the time lag which was inherent between one employee leaving and a new member of staff starting. This process would be monitored and managed.

RESOLVED that:

- a) The External Annual Audit Report 2021/22 as set out in Appendix 1 to the report be noted;**
- b) The importance of risk management be emphasised and the Strategic Director for Economy and Infrastructure and the Strategic Director for Commercial and Change, as lead officers, be invited to provide an update on the Council's approach to risk management at the Committee meeting on 21 July; and**
- c) Reports be brought to future Committee meetings in response to the recommendations 1-9 as set out in the External Annual Audit Report.**

681 Statutory Accounts 2022/23 Progress, Accounting Policies and Estimates (Agenda item 6)

The Committee considered the Statutory Accounts 2022/23 Progress, Accounting Policies and Estimates.

Michael Hudson indicated that the Society of County Treasurers had been lobbying to request that the timetable for the production of the Accounts be put back. Mark Stocks anticipated that the deadlines would be altered because many councils would fail to meet them. However, Grant Thornton would continue to process this Council's Accounts in a reasonable timeframe.

RESOLVED that:

- a) **The work in preparation for the 2022/23 Statutory Accounts be noted;**
- b) **A further meeting of the Committee be arranged on 26 May 2023 at 2pm to consider the draft Statutory Accounts of 31 May 2023;**
- c) **The accounting policies for 2022/23 be approved; and**
- d) **Management arrangements to identify and evaluate accounting estimates be noted.**

682 Annual Governance Update (Agenda item 7)

The Committee considered the Annual Governance Update.

In the ensuing debate, the following points were made:

- Michael Hudson explained that there had been a degree of slippage in some actions as a result of the change of monitoring officer. He now anticipated that the Constitution would be updated at either the September or November Council meeting
- In response to a query about the delay in the intranet project, Michael Hudson explained that the project was aimed at improving and increasing the level of staff self-service which resulted in reduced pressure on the finance teams. The work was taking place in conjunction with IT. IT had been focussed on introducing the revised Council website first and work on the intranet platform would follow. He anticipated that the system would go live in April 2024.

RESOLVED that the Annual Governance update be noted.

683 Internal Audit Progress Report (Agenda item 8)

The Committee considered the Internal Audit Progress Update.

In the ensuing debate, the following points were made:

- Andy Bromage reported that a number of school audits had now been satisfactorily concluded
- In response to a query, Andy Bromage confirmed that the Council had not been able to recruit to the post of Chief Internal Auditor. Part of the reason for the lack of interest was the imminent vacant Section 151 officer post. It was therefore intended to await the appointment of the Section 151 officer before taking further action. The Section 151 officer would then oversee the appointment to the post of Chief Internal Auditor.

RESOLVED that the Internal Audit Progress Report be noted.

684 Internal Audit Plan Focus 2023/24 (Agenda item 9)

The Committee considered the Internal Audit Plan Focus 2023/24.

In the ensuing debate, the following points were made:

- The Audit Plan had been prepared on the basis of a full cohort of audit staff and yet there remained internal audit vacancies. What arrangements were in place to ensure that the audit work set out in the Plan was completed if the audit team remained under strength? Andy Bromage responded that a risk-based approach was being implemented whereby the Plan would be remodelled if vacancies continued to be unfilled over a prolonged period of time. He would liaise with the Chief Financial Officer to find an appropriate solution and report back to the Committee if there were any implications for the Plan. It was important to ensure that there was sufficient audit cover across the organisation to enable the annual audit opinion to be provided. In the worst-case scenario, agency staff would be recruited to bolster the internal audit team. Steph Simcox added that training apprentices to help with the workload was being considered as an option
- How would the implications of these staff resourcing issues be connected to the risk management process? Andy Bromage responded that the Council would use the Pentana system to help assess the risk in the first instance. Discussions would then take place with the Chief Financial Officer and SLT to provide a professional assessment of the risk. The outcome of this discussions would be reported to this Committee to ensure complete transparency. Steph Simcox added that the Chief Officer Group had been reviewing the risk RAG ratings. She was comfortable that there was risk management reporting and governance arrangements in place but recognised that they needed strengthening. In her forthcoming role as Interim Section 151 Officer, she would not permit the removal of any audit that was considered to be a risk
- In response to a query concerning the School Review Process, Andy Bromage explained that the Council had a risk-based approach to school audits which identified schools at higher risk and as a result needed to be included in the Audit Plan. Internal Audit representatives also attended the Schools Forum which allowed information and

concerns about schools to be shared. This information was fed into the overall risk assessment of schools.

RESOLVED that the Internal Audit Plan Focus 2023/24 be approved.

685 IT Control Recommendations - Progress Report (Agenda item 10)

The Committee considered the IT Control Recommendations - Progress Report.

In the ensuing debate, the following points were made:

- Steph Simcox explained that each time a member of staff logged onto the Council's IT system, a message appeared on screen indicating that they were accepting the Council's IT policies
- Was the external auditor satisfied with the progress made by the Council to address these IT control recommendations? Mark Stocks responded that there was clear evidence of the Council's direction of travel in addressing the IT shortcomings with regard to the security of the processing of manual journals
- In response to a query, Chris Bird confirmed that a member of staff could only access the journals if they held a particular role within the organisation. Mark Stocks confirmed that the external auditor would undertake a series of tests to check that these processes were satisfactory.

RESOLVED that the progress and latest management comments on IT Controls be noted.

686 Work programme (Agenda item 11)

On behalf of the Committee, the Chairman thanked Michael Hudson for all his help and advice during his time with the Council and wished him well in his new job.

RESOLVED that the work programme be noted.

The meeting ended at 1.00pm.

Chairman