

Minutes of the Audit and Governance Committee

Lakeview Room, County Hall, Worcester

Friday, 22 September 2023, 10.30 am

Present:

Cllr Nathan Desmond (Chairman), Cllr Laura Gretton, Cllr Peter Griffiths,
Cllr Matt Jenkins, Cllr Luke Mallett, 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 21 July 2023 (previously circulated)

705 Apologies and Named Substitutes (Agenda item 1)

An apology was received from Cllr Salman Akbar.

706 Declarations of Interest (Agenda item 2)

None.

707 Public Participation (Agenda item 3)

None.

708 Confirmation of Minutes (Agenda item 4)

RESOLVED that the Minutes of the meeting held on 21 July 2023 be confirmed as a correct record and signed by the Chairman.

709 Draft Action Plan for the Review of the Council Constitution (Agenda item 5)

The Committee considered the draft Action Plan for the Review of the Council Constitution.

In the ensuing debate, it was queried whether there would be any member involvement in the review process. Phil Rook, the Chief Financial Officer undertook to raise the issue with the Assistant Director for Legal Governance.

RESOLVED that the action plan for the review of the council constitution plan for 2023/24 be noted.

710 Progress on 2022/23 External Audit and 2021/22 Audit Recommendations (Agenda item 6)

The Committee considered the progress on 2022/23 External Audit and 2021/22 Audit Recommendations.

Chris Bird, Chief Accountant introduced the report and made the following comments:

- Grant Thornton, the Council's external auditor had indicated that they were not able to commit to a date to sign off this Council's Accounts. The Council's Accounts had now been completed and the Pension Fund Accounts were close to completion. Regular catch-up meetings were being held with Grant Thornton and good progress was being made
- Following the discovery of RAAC at County Hall, the Finance Team had been assessing the impact on the value of the building in association with the Council's valuers. Following these discussions, an assessment of the impact on the Accounts would be made as either a post balance sheet event and if material the accounts would be amended.

In the ensuing debate, the following points were made:

- In relation to External Audit recommendation three, it was queried whether the request from OSPB for the early involvement of scrutiny in the budget setting process could be facilitated. Phil Rook responded that there was uncertainty regarding the timing of the receipt of the Government settlement for 2024/25. The current expectation was that the Government would release the settlement near to Christmas. It meant that the timescale for the budget setting process would be very challenging this financial year and impact on the timing of the involvement of scrutiny and given the pressure on the Council's demand led services, Children's placements, Home to School Transport and Adult Services
- In response to a query about whether there would any impact on the Accounts following the discovery of RAAC at County Hall, Chris Bird indicated that it was possible that the external auditor could add it as a post balance sheet event to the Accounts because of the possible impact on the materiality of the Accounts
- Concern was expressed about the impact on future Council audits should this year's Accounts not be signed off by the external auditor by the statutory deadline. Phil Rook indicated that the Council was in a good place in terms of the work completed to date on the Accounts. He

anticipated that all the necessary work would be completed by end of November. The Government intended to review the local government auditing processes to try and resolve issues associated with the backlog

- In terms of the presence of RAAC at County Hall, was there a danger that the Council could be impacted both in terms of a reduction in the value of the asset on the balance sheet and the cost of any repair?
Chris Bird advised that in line with accountancy standards, there would be no impact on the recording of profits or losses in the Accounts but the cost of the repairs would impact on the Council's surplus. In future, the Council could use its reserves to cover the cost of the repair work but if the cost ended up being a significant sum, it might need to be transferred to the capital programme. The Council might be required to increase its borrowing as a result. He was not aware of any Government grants available to cover RAAC expenditure
- In response to a query, Phil Rook indicated that there were no maintained schools that had been impacted by RAAC issues
- In response to a query about the general state of council finances nationally following the Section 114 notice issued to Birmingham City Council, Phil Rook commented that there were other councils experiencing financial pressures mainly due to Children's placements and Home to School Transport. This Council was a well-run authority and had historically been slightly over or underspend. The Council had adequate reserves however the current financial position was a concern
- The common theme amongst the different councils experiencing financial difficulties and issuing Section 114 was that they had moved away from their core duties to invest in riskier ventures to generate additional income and from findings public interested reports had identified poor governance arrangements in place. This Council remained focussed on its core business
- Concern was expressed about the financial impact of demand-led service pressures on the financial stability of the Council. Phil Rook acknowledged the impact of demand-led service pressures, for example there would be an overspend in children social care for this financial year due to the increased cost of children placements for reasons outside the Council's control. The details of the Government's settlement were awaited to see whether funding would be forthcoming.

RESOLVED that:

- a) **The progress on the 2022/23 external audit be noted; and**
- b) **The completed and planned work on the External Auditor's recommended actions from 2021/22 audit be noted.**

711 Internal Audit Progress Report (Agenda item 7)

The Committee considered the Internal Audit Progress Report.

In the ensuing debate, the following points were made:

- In response to a query, Phil Rook explained that the business case for any proposals put forward for inclusion in the capital programme would be considered by the Capital Board before being forwarded for consideration by Cabinet
- The reason for the prior year – Asset Management – Property audits remaining outstanding was queried? Kate Kenderdine reported that the delay to the completion of these audits was due to need to update to a number of policies in the area of Asset Management. The outstanding audits were not a concern as there were clear signs of progress being made. She anticipated that at least two of these audits would be completed prior to the next Committee meeting.

RESOLVED that the Internal Audit progress report be agreed.

712 Risk Management (Agenda item 8)

The Committee considered the Risk Management report.

Rob Morris, Head of Business Intelligence introduced the report and made the following points:

- An assessment of the risks associated with the discovery of RAAC in county buildings had commenced
- A number of risks had been recorded as high despite the introduction of controls to mitigate the risk. This was due to the uncertainty around budgets which made it difficult to assess the impact of the risk and therefore the risk rating had not been changed despite mitigation measures
- The Chief Officer Group would be holding a “deep-dive” workshop on risk management in early October to check and challenge the Council’s processes
- An update on the performance of the digital solutions for data capture would be reported to the next Committee meeting.

In the ensuing debate, the following points were made:

- It was queried why the overall risk rating for “Councillors not conducting themselves in an appropriate manner” had been recorded with such a high score. Rob Morris explained that the score related to the risks associated with the review being undertaken by the Assistant Director for Legal and Governance into declaration of interests and the Members Code of Conduct and the steps needed to be taken to ensure that appropriate checks and balances were in place
- How had the new risk framework been received by staff? Rob Morris commented that the new system allowed COG to be able to receive a clear overview of the key risks for the Council. The risks were owned by Assistant Directors across the organisation and cascaded through the organisation through SMTs to enable a consistent approach to risk management to be developed throughout the Council. Phil Rook added that at meetings of COG, chief officers were able to challenge each

other's assumptions on risk scoring and the associated control framework

- In response to a query, Rob Morris undertook to examine the possibility of providing an explanation of the reasoning and context for the scoring against each individual risk on future versions of the risk dashboard presented to Committee.

RESOLVED that the contents of the report, including the latest corporate risk report identifying corporate risks and mitigating activity be noted.

713 Treasury Management Update Quarter 1 2023-24 (Agenda item 9)

The Committee considered the Treasury Management Update Quarter 1 2023-24.

RESOLVED that the Treasury Management Update Report 2023-24 be noted.

714 Work Programme (Agenda item 10)

Chris Bird explained that the update on outstanding IT Control actions had been reported to this Committee and therefore there was no need to report it to the meeting scheduled on 1 December 2023.

RESOLVED that the work programme be noted.

The meeting ended at 12.05pm.

Chairman