

COUNCIL
16 MAY 2019**REPORTS OF COMMITTEES****(a) SUMMARY OF DECISIONS TAKEN BY THE AUDIT AND GOVERNANCE COMMITTEE**

Statutory Accounts 2018/19 – Accounting Policies

1. The Statutory Accounts include the County Council's accounting policies. These are reviewed and updated on an annual basis to ensure that any new policies are incorporated, and existing policies are correct. A review of the 2017/18 accounting policies has been completed and some wording amended to assist in the clarity and reader's understanding of the policies. Two new standards have required changes to the Council's policies: IFRS 9 – Financial Instruments (The introduction of this standard has required amendments to the Council's classification of financial assets and impairment calculations with regard to potential credit losses); and IFRS 15 – Revenue from Contracts with Customers (This standard requires income to be recognised in our accounts when the Council's performance obligation is fulfilled rather than on receipt of income). The Committee has approved the accounting policies for 2018/19.

Corporate Risk Report – Education and Buildings

2. Following a request at the previous meeting, the Committee received a more detailed overview of the red risks associated with Education and the Management of the County Estate. For each risk, the Committee received details of the mitigation of the risk, the evidence of the mitigation work and an update on the Quarter 2 risk report and future planned activity. The Committee has noted the report outlining in detail evidence of mitigation (current and planned) against the corporate risk areas of education and buildings.

Internal Audit Progress Report – 1 November to 28 February 2019

3. The main issue that the Committee has had particular focus on is the progress of Internal Audit (IA) recommendations. The total number of recommendations outstanding has fallen by 2%, and the majority of request for responses were received (although four schools have yet to respond) which account for 83% (24 out of 29) of recommendations outstanding without an update. In total 82 recommendations have passed the original planned date of implementation.

4. The IA report identifies that there were 67 recommendations outstanding reported to the December Committee compared to the 82 noted in the paragraph above - that does not mean the position per se has deteriorated, rather that more recommendations due from 31 December 2018 to 28 February 2019 have fallen

outstanding.

5. Lessons need to be drawn from the more detailed analysis and fed into the future audits, these are:

- Where reports are signed off by interim management / leadership then the timescale for completion should be subject to further review by the Chief Financial Officer (CFO) and Chief Executive
- Implementation dates should only be reset once after due consideration and agreement with IA and the CFO
- Any resetting of deadlines should be reported quarterly to the Committee with explanations of acceptance of slippage and further lessons to learn
- The key performance indicators should reflect the monitoring of implementation.

6. The Committee has noted the Internal Audit Progress Report.

External Audit – Audit Progress Report and Sector Update

7. Peter Barber, Engagement Lead and Helen Lillington, Audit Manager presented the External Audit – Audit Progress Report and Sector Update to the Committee on behalf of Grant Thornton, the Council's external auditor. The Committee has noted the External Audit – Audit Progress Report and Sector Update.

External Audit Plan – Informing the Audit Risk Assessment for Worcestershire County Council and Pension Fund

8. Peter Barber, Engagement Lead and Helen Lillington, Audit Manager presented the External Audit Plan – Informing the Audit Risk Assessment for Worcestershire County Council and Pension Fund to the Committee on behalf of Grant Thornton, the Council's external auditor. The Committee has noted the External Audit Plan – Informing the Audit Risk Assessment for Worcestershire County Council and Pension Fund.

Internal Audit Plan 2019/20

9. In maintaining and providing assurance for the Annual Governance Statement the Council employs the three lines of defence model. The third line of defence being Internal Audit. As part of that process and in line with statutory requirements Internal Audit has drawn up an Annual Audit Plan. As part of the transfer back in-house of the Internal Audit Service, the Chief Financial Officer undertook to present the 2019/20 Internal Audit Plan to the Committee.

10. The Audit Plan will be delivered by the in-house team who will work in accordance with the Audit Charter. The performance of the function will be monitored regularly against agreed indicators, and regularly reported alongside audit findings to the Committee.

11. An Audit Charter is a mandatory requirement of the Public Sector Internal Audit Standards and the associated Local Government Application Note (PSIAS) and sets out the purpose, responsibilities and authority of the internal audit service within Worcestershire County Council. With effect from 1 April 2019 the Internal Audit

service will return to an in-house provision, having been provided by Warwickshire County Council since 1 May 2015. The Charter sets out what the Council can expect from the Internal Audit service. The Committee has approved the Internal Audit Plan for 2019/20 and the revised Internal Audit Charter.

Update on Finance Improvement Plan

12. To ensure that the Council has a fit for purpose finance function to support the organisation in the coming years a Finance Improvement Programme is in place. The Finance Improvement Programme has six projects that are interlinked and the Committee received an update on each of the following projects: Control Environment; Budget Structures and roles and responsibilities; Financial Transactions; Staffing structures; Systems; and Partners and customers. Underpinning these projects are two cross-cutting projects: Communications; and Training. The Committee has noted the report and that a further update is brought to the September Committee.

Commissioning External Audit Conclusion Progress Report

13. Following a request at the last meeting, members received a further update in relation to progress made regarding the risks and findings previously raised by the Council's external auditors in relation to commissioning.

14. All contracts have a lead officer who have been monitoring the contract and working with the Procurement team to assess the strategy for each. A project plan also exists and is available on the website for further reviews. One major contract has been insourced since the external audit opinion – DCX IT, and reports on progress and lessons learnt have been reported to members in other forums. The Liberata contract is being reviewed and a progress report is scheduled for the Commercial and Commissioning Board in May 2019, and this will be reviewed by external audit as part of their assessment of the 2018/19 Value for Money assessment.

15. A Commercial and Commissioning Board is in place and has met approximately every two weeks since August 2018. The minutes of these have been shared with external audit for their assessment in relation to the 2018/19 opinion. This Board has maintained the governance over decision making, introducing standardised assessment of contract extensions and procedures to market.

16. A review has been completed of tail end spend, with improved reporting to directorates in relation to spend by supplier and source. The Procurement team are also just finalising the first tranche of suppliers to move to longer payment terms (30 days) and seeking to secure savings through negotiated discounts in agreeing shorter time scales. A Commercial and Procurement Strategy is being developed for consideration by members in Summer 2019. The Committee has noted the progress in the report.

Work Programme

17. The Committee has noted its future work programme.

Mr N Desmond
Chairman

Contact Points

County Council Contact Points
County Council: 01905 763763
Worcestershire Hub: 01905 765765

Specific Contact Points for this report
Simon Lewis, Committee Officer
Tel: 01905 846621
Email: slewis@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda papers for the meeting of the Audit and Governance Committee held on 15 March 2019.