

COUNCIL
16 JULY 2020**REPORTS OF COMMITTEES****(a) SUMMARY OF DECISIONS TAKEN BY THE AUDIT AND GOVERNANCE COMMITTEE**

Internal Audit Progress Report and Anti-Fraud and Corruption Strategy

1. There have been 4 limited assurance reports since the last report to the Committee: Long term placements (agency and consultancy); Business continuity; Governor support and training (thematic review); and School – fraud investigation. The Council is currently undertaking a Financial Systems key controls framework assessment which has replaced four compliance audits. This approach allows the Council to consider the overall assurance framework against key lines of enquiry and identify areas requiring more in-depth analysis.
2. The Council currently has 74 outstanding actions across 13 audits (compared to 93 actions over 23 audits reported to the December Committee). Of these 53% are overdue. The 10 actions which are over 12 months overdue relate to Northleigh Primary school. As previously reported the school is due to convert to an academy, although the date for this has been delayed. An update meeting has been taken place with the new Headteacher and Governing Body to agree a programme of implementation for the remaining actions.
3. The size and complexity of the County Council means that some irregularities are inevitable, and therefore, in addition to planned assurance work, several special investigations are needed each year and since the last report, a special investigation at school x has commenced following allegations about the business manager. This report has now been concluded and the allegations of fraud have been substantiated. The business manager has left the school and the matter referred to the police. The Committee has noted the Internal Audit progress report.

Internal Audit Plan 2020/21 to 2022/23

4. The Committee has approved the Internal Audit Plan 2020/21 to 2022/23 which details the approach taken to provide controls assurance to the Council. The Committee has approved the Internal Audit Charter which details how the audit service will be provided to the Council.

External Audit - Council and Pension Fund Audit Plans and Informing the Audit Risk Assessment

5. On behalf of Grant Thornton, the Council's external auditor, Peter Barber, Key Audit Partner and Helen Lillington, Audit Manager presented the Audit Plans for the County Council and Pension Fund accounts together with an Audit Risk Assessment report. The Committee noted the content of the external audit plans and the Informing the Audit Risk Assessment report.

Income Management

6. A deeper analysis of corporate debts that are over 30 days old has been undertaken. Negotiations have continued with strategic partners over debts they have with the Council. Although this is not proving to be a quick process, increased efforts have been carried out to find resolutions.

7. The Council's adult social care home care debt is around £2.1 million. Whilst the majority of this debt is set up to be collected automatically by Direct Debit, there are a significant number of telephone calls received by the finance team to discuss either accounts or to enquire into details of the provision of home care, the latter calls need to be passed to operational social care colleagues to respond to. Teams are finding it difficult to respond quickly to the volume of incoming calls, made worse if they subsequently need to be passed on to others whilst customers wait on the line to be connected to the right person. Whilst accounts are under query, they often need to be blocked for collection and therefore balances are included in debts outstanding.

8. In order to reduce debt, a better resolution of queries needs to be facilitated so that accounts will be paid, and as such a new telephony process is being implemented together with updating the design of the billing documents and reminder letters. Whilst this sounds straight forward, it involves a number of different Council teams, Liberata and Advanced (the supplier of our general ledger accounting system) to co-ordinate efforts. Implementation is expected during April, from which time calls will be routed direct to the appropriate team and this will ultimately improve collection rates and be a better contact experience for customers. Resources are being increased around chasing failed direct debit payments and working with the Council's service supplier Liberata on process and data improvements.

9. The latest level of short-term debt stands at £16.3 million, 66% (£10.7 million) of which was raised this financial year. Of the total debt recorded, £10.417 million (64%) is greater than 30 days old. Senior officers are discussing with the education sector, Council and NHS debtors to obtain payment. Where companies owe money, the Council is liaising with operational managers responsible for contracting with it to ensure the most appropriate debt collection method is chosen. In addition to the general debt, the Council has a Longer-Term Debt that it recognises of c.£3.6 million relating to social care accrued accommodation costs. This debt is secured against property assets pending sufficient house value. This is regularly reviewed, and charges secured against properties.

10. The County Council currently holds on its balance sheet £14.977 million of Section 106 monies relating to around 220 highways schemes as at February 2020. It is expected that the Council will receive further Section 106 monies in the near future relating to several signed agreements and there are several other schemes which are in development, but no formal agreement is yet in place. There are currently £14.460 million of estimated contributions of Section 106 monies from signed agreements relating to around 120 schemes as at January 2020 with £12.052 million of Section 106 funds held. Looking forward, the Chief Financial Officer, through the Hereford and Worcester Treasurer's Association, will aggregate and corroborate all S106 monies held either by the County Council or District Councils, to support most appropriate and timely use of monies received. The Committee has noted the report.

Financial Resilience Index

11. The Council reviews a range of indicators and data in assessing its own financial resilience. One of those data sets is the CIPFA Financial Resilience Indicators. The latest data set which looks backward at 2018/19 is in line with the Council's financial strategy and plan. It identifies that the Council's reserves remain low compared to some authorities, and the change in those reserves in previous years was greater than others. However, this needs to be considered in context of the cause and where the Council is today. Looking back there was a draw on reserves due to the holding of reserves in directorates that was recognised in 2018/19 and action taken. The draw on reserves has thus been significantly reduced. At the same time during 2019 a Financial Risk reserve was approved by Council funded from the accounting gain of the change in our Minimum Revenue Provision (MRP). This reserve was set aside to corporately manage cross Council risks and provide greater stability to enable good financial planning. This has proven sound financial management in recent weeks with allocations for the potential risk that materialised in relation to the floods and services coming in line with budgets. Going forward it is thus expected that the resilience will improve and whilst reserves will remain low it instils and drives a culture of robust financial decision-making. This will continue to be monitored and reported to the Committee and Council. The Committee has noted the report.

Statutory Accounts 2019/20 Progress and Accounting Policies

12. The accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the financial effects of transactions and other events are reflected in the financial statements. As in 2018/19, the notes to the 2019/20 Statement of Accounts will include the relevant accounting policy.

13. Following a review, there are no changes proposed to the Council's accounting policies for 2019/20 with the exception of the items noted below:

- Future accounting standards: IFRS 16: Leases - to highlight new arrangements for the accounting of leases from 1 April 2020; and
- Group Accounts – to disclose the basis of identification of the group boundary and the preparation of group statements.

14. The Committee has noted the work in preparation for the 2019/20 Statutory Accounts and approved the changes to the accounting policies for 2019/20.

Corporate Risk Report

15. The Corporate Risk Register provides a mechanism for collating and reporting risks that could affect the delivery of corporate objectives. In April 2017 the Council adopted an electronic risk register tool to hold in one place all the major risks identified by individual Directorates and major projects. A scoring system is used to rate individual risks. This allows risks to be ranked and provides a view of the highest risks identified across the organisation.

16. At the end of Quarter Three 2019/20 there were 130 individual risks entered in the risk register of which 15 were identified as high / "red" risks. Individual risks have been grouped for the purposes of reporting here. The highest risks have been grouped into seven risk areas, following discussion by the Corporate Risk Management Group (CRMG) and the Performance and Transformation Board which are: Safeguarding vulnerable children; Education; Demand for adult social care; key supplier markets; Compliance management of the Council's estate; Business continuity response to major event; and Financial control.

17. The risk to Council Services and the local economy as a result of EU Exit is rated as amber. The risk area associated with staff capacity, capability and productivity (a previous red corporate risk) is not included as it has been reported as amber for the past four quarters. The Committee has noted the latest update of the Corporate Risk Register including mitigating actions identified in respect of red risk.

Work Programme

18. The Committee has noted its future work programme subject to the addition of a report to a future meeting on the outcome of the Tony Redmond Review into the quality and effectiveness of the audit of local authorities.

Mr N Desmond
Chairman

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Background Papers

In the opinion of the proper officer (in this case the Assistant Director for Legal and Governance) 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 13 March 2020.

<https://worcestershire.moderngov.co.uk/ieListMeetings.aspx?CId=135&Year=0>