

**COUNCIL  
9 SEPTEMBER 2021****REPORTS OF COMMITTEES****(a) SUMMARY OF DECISIONS TAKEN BY THE AUDIT AND GOVERNANCE COMMITTEE**

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**2020/21 Internal Audit Final Report**

1. The Committee has received a summary of the Internal Audit work during 2020/21 and as required by the Accounts and Audit Regulations 2015, an overall opinion of Moderate Assurance of the Council's control environment has been given. The Committee has noted the Internal Audit 2020/21 Final Report and assurance level.

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

2. Grant Thornton, the Council's external auditor has produced audit plans for the County Council and Pension Fund accounts together with audit risk assessment reports. The Committee has noted the content of the external audit plans and the Informing the Audit Risk Assessment reports.

**Draft Annual Governance Statement 2020/21**

3. The Council is required, as part of its ongoing review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2020/21. The AGS will form part of the Annual Statement of Accounts and the final version will be signed by the Leader of the Council and Chief Executive and it is anticipated to be available for approval by the Committee at its meeting on 24 September 2021.

4. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2020/21 and takes into account any significant issues of governance up to the date of publication of the Statement of Accounts. The AGS outlines the actions taken or proposed to address governance issues identified.

5. The draft AGS includes the following governance issues as areas for improvement. Items which were included in the 2019/20 AGS and remain governance issues following review in 2020/21 are: Serious harm or death of a child or young person; activity exceeds budget allocation; and serious harm or death of a

vulnerable adult. The following issues have been identified as part of the 2020/21 review process: Safeguarding vulnerable children and adults; ensuring the Council's financial sustainability; and the Council's response to and recovery from the impact of COVID-19 on residents and the local economy

6. Grant Thornton, the Council's external auditors, will consider the AGS as part of their external audit, with the aim of confirming that it is consistent with their knowledge of the Council and the financial statements. The Council has noted the draft Annual Governance Statement 2020/21.

### **Draft Annual Statutory Financial Statements for the year ended 31 March 2021**

7. In response to COVID-19, the requirement to prepare draft accounts by 31 May has been extended to 31 July and the requirement for the public inspection period has been amended to commence on or before the first working day of August 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020-21 and 2021-22 for all local authorities. However, it is anticipated that the audited accounts will be presented on time to Committee meeting on 24 September 2021.

8. The financial position reported in the Council's Statutory Accounts for 2020/21 is an underspend of £0.8 million against the net budget of £346.3 million, with an accounting surplus taking into account pension actuarial costs, capital costs and other financial adjustments, of £28.9 million. The County Council's General Fund reserve balance has increased by £0.8 million to £13.0 million and there has been an increase of £25.3 million on available earmarked reserves taking their balance at 31 March 2021 to £96.9 million. Additionally, School reserves of £4.0 million and £13.8 million of Private Finance Initiative (PFI) reserves are retained.

9. The cumulative Dedicated School Grant deficit brought forward from last financial year was £6.2 million which will now be increased by £0.3 million deficit from 2020/21 and the deficit to carry forward into 2021/22 is now £6.5 million.

10. The financial impact of the COVID-19 on the Council and Pension Fund's assets has given rise to further work to ensure the accounts reflect any possible over or understatement of assets. There has not been a material impact on any asset category nor evidence since the valuation date that needs to be taken into account.

11. The value of the Pension Fund's net assets increased by £719.4 million from £2,645.4 million at 31 March 2020 to £3,364.8 million at 31 March 2021. During the year the Pension Fund recorded a surplus in the accounts totalling £116.6 million, an increase of £107.4 million from a surplus of £9.2 million in the previous year.

12. The external audit fieldwork and Value for Money assessment will continue over August and September and the Committee will receive an update on audit findings at the meeting on 24 September 2021. The Committee has noted the draft Final Accounts Pack, including the Statement of Accounts for the financial year ended 31 March 2021.

## **Internal Audit Progress Report**

13. Internal Audit are working closely with operational service managers to ensure that audit actions are undertaken. For actions relating to limited assurance audits where a follow up audit is planned, actions are transferred to the new audit. Two fraud investigations have been completed in the first quarter and no evidence found that required further action.
14. A post process review has been undertaken following a breakdown of contractual arrangements. The review identified improvements to the procurement and contract management process which have been reported to the relevant service areas.
15. The Council's grant certification work supports the Council in ensuring that money claimed from government agencies is correctly accounted for and we work closely with operational teams to deliver this. Three grants have been certified as accurate during the first quarter. There continue to be increases in the number of grants which require certification and Internal Audit are working closely with service areas to ensure adequate planning and quality of evidence provision.
16. Three Principal Auditors started with the Council in the first quarter and have already made positive contributions to the team. Following an internal recruitment process one of the Principal Auditors has been promoted to the role of Audit and Compliance Manager. Two new apprentices also started with the team in April as part of the Financial Services rotation and have successfully integrated into the team and are providing key support to the work of team. The Committee has noted the Internal Audit progress report.

## **Risk Management Update**

17. The risks associated with the Covid19 pandemic have brought the need for a strong and effective risk culture to the forefront. The Council adopted a coordinated approach with district councils and other partners which has evolved and improved to produce an efficient process for the effective escalation of risk to Silver and Gold Command. Independent weekly reviews of Covid risks are undertaken by the Risk and Assurance Manager to ensure accurate reporting and escalation, and to enable relevant mapping to the current corporate risks.
18. An understanding of the risks has allowed for a prompt response by the Local Outbreak Resilience Team (LORT) to arrange both surge and door-to-door testing in key areas. It should be noted that the pandemic had raised the profile of infectious diseases risk globally to the highest potential impact for 2021 whereas extreme weather had maintained a position as one of the most likely risks this year.
19. In 2021/22 the Corporate Risk Management Group continues to improve risk management by actively engaging in the development of a more effective process for recording and evaluating risks based on key themes. The risks will be recorded in a new system called Pentana Risk which sits alongside the existing Audit system, Pentana Audit.

20. A corporate risk review was undertaken which evaluated all risks and concluded that there was inconsistency in terminology and depth of risk recording, which provided challenges in effective reporting. The Pentana Risk system was procured to improve both consistency and reporting and is currently being implemented. The risk management team is mapping the corporate risks to the new system to give a clearer profile of risk. This process will initially increase volume of risks but provide a clearer overall profile.

21. At the end of March 2021, the Corporate Risk Register contained 124 individual risks of which 12 were identified as high risks. At the same point there were no high risks on the Covid Risk Register. The Committee has noted the Risk Management update.

### **Income Management**

22. The fallout from COVID has continued to have an impact on the review and level of debt and bad debt provisions, with the bad debt provision increased by £2.8 million in the year end accounts to reflect the ongoing pandemic. This debt will continue to be monitored with the assistance of legal services to the chase the debt. In addition, the responsibility for commercial rent debt has now transferred to the County Council from Place Partnership Ltd and the system was being reviewed and appraised to ensure billing can take place.

23. The latest level of short-term debt stands at £3.4 million, the majority of which was raised this financial year. This has fallen significantly in the last month mainly related to debt chasing and management of old debts, including write off provisions. Collection continues to be prioritised for larger amounts, but more work is progressing to address older debts. The total debt recorded greater than 30 days old, for which there is not an instalment or pending cancellation is £13.1 million (68%). However, that is a reduction from the end of February reported position of £15.1m.

24. The total debt for the top 20 debtors has dropped since the last report to Committee and legal services have been working alongside transactional staff to reduce the list of debtors. Discussing with the education sector, Council and NHS debtors were taking place at a senior level to obtain payment. There are five 'individual' debts – these are more sensitive as they relate to social care service clients / cases. Where companies owe the Council money, work is underway with the operational managers responsible for contracting them to ensure the most appropriate debt collection method is chosen.

25. In addition to general debt, the Council has a Longer-Term Debt that it recognises of c.£1 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. The Committee has noted the Income and Debt Management report.

### **Work Programme**

26. The Committee has noted its future work programme with the addition of a Training Programme report being brought to the Committee meeting on 24 September 2021.

**Mr N Desmond**  
**Chairman**

### **Contact Points**

#### Contact Points for this report

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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 29 July 2021.

[Agenda for Audit and Governance Committee on Thursday, 29th July, 2021, 10.30 am - Worcestershire County Council \(moderngov.co.uk\)](#)