

COUNCIL
19 MAY 2022

REPORTS OF COMMITTEES

(a) SUMMARY OF DECISIONS TAKEN BY THE AUDIT AND GOVERNANCE COMMITTEE

Internal Audit Progress Report

1. The audit plan includes 65 work items of which 12 relate to Fraud, 18 to Certification, 26 to Assurance, and 9 to Advisory. The current state of assurance and audit reports is that 12 are draft – engagement has not commenced, 11 are open – Terms of Reference issued / engagement in progress, and 12 are complete – fieldwork finished / report issued.
2. The grant certification work supports the Council in ensuring that money claimed from government agencies is correctly accounted for, and the Council works closely with operational teams to deliver this. 12 grants with a total value of £72.8m have been certified as accurate to date in this quarter. 5 grants are currently being audited with an income value to the Council of £2.0m and 1 grant is due to be audited March with an income value of £0.9m.
3. No new complaints or allegations of fraud or corruption have been received in this quarter. The Council continues to engage with the National Fraud Initiative programme, providing key data sets to the Cabinet Office to enable matches to be identified and investigated. The final remaining areas are being analysed and it is anticipated that all matches will be cleared by the deadline of 31 March 2022.
4. Audit actions are tracked, and regular contact is made with operational managers to follow up progress. For actions relating to limited assurance audits where a follow up audit is planned, actions are transferred to the new audit.
5. Internal Audit has identified recurring themes on the schools audits undertaken, the main ones being procurement and declarations of interest. A newsletter will be issued covering the themes identified to highlight areas of good practice. The Committee has requested that a report on the schools auditing processes be brought to the meeting of the Committee on 2 December 2022. The Committee has noted the Internal Audit progress report.

Statutory Accounts 2021/22 Progress, Accounting Policies and Estimates

6. The Financial Reporting team is on target with both the preparation work for the Statutory Accounts production and with responses to support external audit planning and initial risk assessment activity. The statutory deadline for the 2021/22 accounts process is 30 November 2022. A detailed closedown plan has been prepared ready for the accounts to be audited and for approval by the Audit and Governance Committee to order to meet the proposed deadline. Additionally, a draft set of accounts will be presented to the July Committee meeting. The Committee has noted the work in preparation for the 2021/22 Statutory Accounts.

7. 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. Following a review, there are no changes proposed to the Council's accounting policies for 2021/22. The Committee has approved accounting policies for 2021/22.

8. The material accounting estimates which affect balances and transactions in the financial statements for the year ending 31 March 2022 have been identified by management as: valuation of land and buildings, depreciation and impairment, measurement of financial instruments and the valuation of defined benefit net pension fund liabilities. The Council's assessment of material accounting estimates in year includes consideration of the requirement for specialised skills and knowledge from management experts, e.g. asset valuations and investments, a review of the methods, models and assumptions used to inform the accounting estimates and consideration of the degree of estimation uncertainty relevant to each accounting estimate. The Committee has noted the management arrangements to identify and evaluate accounting estimates.

External Auditor – Auditor's Annual Report 2020/21

9. Grant Thornton, the Council's external auditor is responsible for producing an Annual Audit Report which brings together all aspects of external inspection work undertaken across the County Council including the audit work carried out on the accounts. The Annual Audit Report looks back over the 2020/21 year and summarises all of the reports and work the external auditors have undertaken and closes that year's audit. The Report includes the auditor's opinion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and opportunities for improvement.

10. Grant Thornton had found no significant weaknesses in the Council's Value for Money (VFM) assessment but has identified opportunities for improvement in Financial Sustainability, Governance and i economy, efficiency and effectiveness. The Committee has noted the Annual Audit Report 2020/21.

Internal Audit Plan 2021 to 2022/23 – 2022/23 focus

11. In line with the 3-year Plan approved by the Committee in March 2020, the 2022/23 Internal Audit focus provides high level review areas for the year, with detailed plans for quarter 1. Resource requirement has been assessed against availability and the required level of coverage will be provided under current arrangements. The Plan will be continually reviewed against the risks of the Council and related organisations and updates will be provided to the Committee on a quarterly basis.

12. The Internal Audit Charter provides the mandate under which the Internal Audit team operates. It has been amended to include key performance indicators which have been developed and tested during 2021/22. These indicators will be reported to the Committee on a quarterly basis and will be a key tool for the Committee to monitor the activity of the team. The Committee has approved the Internal Audit Plan focus 2022/23 and Audit Charter.

13. The Committee has agreed that the relevant Strategic/Assistant Director be invited to attend the Committee where a failure to satisfactorily address outstanding audit actions has been identified.

Risk Management Report

14. The second phase of the Council's risk management plan is now complete with 19 risk registers uploaded onto Pentana risk management system, which encompasses 28 service areas. Risk managers have been supported to review, select, and assess the relevant risks for their areas. This enables evidence-based risks to be reviewed at either a Directorate or corporate level and allows for assessment across the 10 corporate risk objectives. The consistent design of the risk management framework allows for the introduction of key controls to mitigate multiple risks and identify areas where the individual management teams could introduce or strengthen controls.

15. At 23 February 2022, there were 1,322 risks recorded on the Pentana Risk system for the County Council with an additional 79 for Worcestershire Children First. This is currently the combined number of risks from 19 risk registers across 28 service areas for the 10 corporate objectives.

16. The key themes remain focused both on recruitment and the environment, particularly in light of current circumstances. These themes are being closely monitored to ensure all appropriate controls and mitigations are in place, and detailed work is being undertaken with officers in Human Resources to investigate these in detail for the workforce related risks. In addition, a fraud focus is being introduced to the risk registers to enable a consistent approach to the project and support the Council's aspiration to build a stronger anti-fraud culture. The Committee has noted the Risk Management report.

Finance Improvement Programme

17. The Finance Improvement Programme includes six projects aimed at releasing efficiencies in both Finance and other service areas, and facilitating 'self-serve' and 'automation': Accounts Payable; Income & Accounts Receivable; E5 and collaborative Planning; Financial Regulations; Revenue Budget Monitoring; and People. In addition, there is a seventh project that is part of a wider resources programme to review and improve the Council's Intranet as a single point of access and learning tool for users and managers. The key actions expected in this quarter related to the E5 Upgrade and draft Financial Regulations.

18. The Strategic Board took the decision to delay the upgrade of the E5 system until after the production of the accounts and between that time and the external audit commencing. A date has thus been agreed with the system supplier for 20/21 June 2022. This also enables time to rectify failures as well as managing the well-being of the team. A number of the developments across the other projects within the programme were dependent on the new functionality arising from the upgrade, as such the work programme for those areas is being revised.

19. The Chief Internal Auditor has drafted a number of proposed changes to the Financial Regulations. These are mainly cleansing changes as a fuller constitutional review has been delayed. This does though feed into work to be carried out in other projects within the programme, such as the debt strategy. It is still hoped that these changes can be considered at the July Council meeting. The Committee has noted the report and that further updates will be brought to the Committee meeting in September 2022.

Work Programme

20. The Committee has noted the work programme subject to a report on the schools auditing processes being brought to 2 December 2022 Committee meeting.

Laura Gretton
Vice-Chair

Contact Points

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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 11 March 2022.

[Agenda for Audit and Governance Committee on Friday, 11th March, 2022, 10.30 am - Worcestershire County Council \(moderngov.co.uk\)](#)