

COUNCIL

10 NOVEMBER 2022

REPORTS OF COMMITTEES

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

Internal Audit Progress Report

1. 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. For outstanding actions relating to schools, it has been agreed with the Schools Support Forum that a Letter of Concern will be issued when schools actions become outstanding when they reach 3-6 months. Two such letters have been issued to date.
2. There was a fraud investigation undertaken in the second quarter of 2022/2023. The outcome was that no further direct action was required, but further actions are continuing corporately. To further highlight the risk from potential frauds and scams staff training, awareness and education continues.
3. The grant certification work supports the Council in ensuring that money claimed from government agencies is correctly accounted for and Internal Audit work closely with operational teams to deliver this. Five grants have been certified as accurate to date.
4. Currently the Audit and Compliance Manager is overseeing the day-to-day operational aspects of the Internal Audit service with support from the Chief Internal Auditor of the Worcestershire Internal Audit Shared Services. This arrangement is set to continue until at least the end of the financial year. The Committee has noted the Internal Audit progress report.

Annual Governance Update

2. Overall, the actions set out in the Annual Governance Statement 2021/22 Action Plan are on time and being progressed. There has been some delay arising from the recent departure of the Monitoring Officer. A large proportion of this work is due to be delivered in the final quarter of this financial year and as such this progress is broadly as expected and a further report will be brought to the December Committee. The Committee has noted the Annual Governance update. The Committee has invited the Monitoring Officer to attend the Committee meeting on 2 December to provide an update on the progress made updating the Constitution.

Statutory Accounts and Pension Fund 2021/22 – External Audit Update

3. The CIPFA Local Authority (Scotland) Accounts Advisory Committee (LASAAC) has recently approved an update to the Accounting Code that will remove the requirement to report gross cost and accumulated depreciation. The Code Update is still subject to formal consideration by the Government's Financial Reporting Advisory Board, but it is anticipated that the update to the Code will be available during mid to late September. This should remove the auditors' concerns about reporting of gross book values and accumulated depreciation.

4. CIPFA has confirmed that it is now working with the Government and devolved administrations on a time limited statutory prescription (override) related to component derecognition. Whilst the Government's decision on this is still awaited, it is hoped that this will address auditors' concerns about the efficacy of net book values for infrastructure assets.

5. The remaining issue would then be the requirement to demonstrate the effectiveness of depreciation policies for infrastructure assets. If approved by the Financial Reporting Advisory Board, the statutory override will allow auditors (notwithstanding any other issues that arise from audit) to sign off accounts without qualifications. However, the anticipated update to the Code is still some weeks away.

6. An additional Committee meeting has been scheduled for 4 November to receive the External Audit Findings Report. This allows for publication of the audited statements by the 30 November statutory deadline.

7. The Committee has noted the update on Infrastructure Assets, and the impact on the 2021/22 Audit and Accounts timetable.

Risk Management Update

8. Risk Management is a key part of effective governance for the Council. The adoption of the new risk management system has expanded significantly across the organisation, which continues the Council's ambition for a strong risk management culture to be fully embedded.

9. Risk reporting is currently being reviewed to continue to enable both operational and strategic direction to the risk management process. The first 4 strategic areas currently being collated are:

- Harm – risk to a user or employee
- Service – risk to service delivery
- Finance – risk to financial stability and future sustainability; and
- the Nolan Principles / Corporate Governance – risk to the way we govern and take decisions throughout the organisation.

A framework is being trialled to ensure the relevant risks are clearly identified and appropriate mitigation strategies are in place.

10. An established Corporate Risk Management Group (CRMG) has set the wider risk framework and has the responsibility of reviewing and challenging strategic risks monthly, supported by the specialist leads from all areas of the Council.

11. The new risk management system is now in place and has been adopted not only at directorate level but across 14 service areas and 34 operational risk registers giving a more accurate picture of risk. This new approach has increased the number of risks which are being operationally managed, giving improved information and a better understanding of the Council's wider risk profile.

12. The system allows for the review of Emerging or Future risks, as well as tracking golden threads, for example where risks around second jobs were identified in the People Directorate, corporate mitigations have been introduced to include declaring interests as part of the staff appraisal process.

13. Adult and Children's Services continue to be identified as potentially high risks related to the possible 'Harm' of a vulnerable person in the Council's care or to an employee. These risks are continually being mitigated daily through various actions and policies, as well as through regular case reviews and continuous learning and improvement.

14. An emerging operational risk relates to Workforce, where a number of service areas are reporting a higher risk than previously shown around recruitment and retention. The Risk Management team will continue to monitor all high and emerging risks to escalate any relevant matters through Directorate Leadership Teams and to Strategic Leadership Team to ensure a transparent overview of risk throughout the Council. The Risk Management team and CRMG, will be working collaboratively to ensure a consistent and informed risk process is fully embedded in the Council and will actively engage the Audit and Governance Committee in that process.

15. The Committee has identified further information that it would like included in future risk reports including progress on action taken against the top 6 risks, details of mitigation measures undertaken, and whether any measures were in place to introduce a "bottom up" approach to risk assessment. The Committee has agreed the Risk Management update. The Committee has requested that the Senior Leadership Team address the issue of risk management with greater urgency.

People Directorate – Debt Position Statement

16. The People Directorate is responsible for the collection of fees and charges in respect of Communities, Public Health and Adult Social Care (ACS). As at 31 July 2022, the total value outstanding was £18.7 million of which 60.7% was aged more than four months old. there is an upward trend in the value of debt with Adult Social Care debt increasing by 36% (to £15.2 million) and other service areas by 4% (to £5.0 million) as at 31 July 2022. This is despite the increasing focus and spend on debt collection in this area. Information from other authorities indicates the same trend.

17. Charges in respect of ASC are levied against commercial organisations, health authorities, local authorities and individuals. Individuals in receipt of social care provision are required to financially contribute towards their care based on their financial position. Care is procured by the Council and charges are invoiced monthly in arrears.

18. The value of charges raised for the 12 months up to 31 May 2022, collection rates for all residential and domiciliary customers is 84%. However, for those ASC clients (approximately 37%) who pay by Direct Debt, collection rates are significantly improved at 97%. For service users paying by an alternative method, the collection rates are less successful, with £4.6 million (23.3%) unpaid.

19. Legal action is currently being pursued in respect of 118 social care customers for debt value of £2.5 million, with £1.4 million of this value being over 12 months old. Work is ongoing to refer further cases (where possible) over 12 months old and these are being prioritised by value. There are also 1,149 customers in this category (i.e. debts over 12 months) with debts under £1,000 totalling £418k).

20. The Finance Operational Services (FOS) Debt and Legal Teams continue to chase debts outstanding. Given the scale of the task and the resource available, this is likely to take some considerable time. In light of the increasing debt levels, the FOS teams are considering a number of initiatives to improve client engagement and increase payment levels. The Council also has a longer-term debt that it recognises of £2.7 million (as at July 22) relating to Deferred Payment Agreements.

21. The Committee has asked for further information to be included in the report to the December Committee meeting including a breakdown of the level of debt between residential and domiciliary care, further detailed information on the recovery of debt and bad debt calculations, the mechanisms for charging for social care and what aspects of social care the Council can legally charge for, an overview of the People Directorate debt levels to include an indication of the direction of travel, and an indication on a monthly basis as to how the percentage on unpaid debt related to the level of charges originally raised by the Council. The Committee has noted the Debt Position Statement for the People Directorate.

Work Programme

22. The Committee has noted its work programme.

Cllr Nathan Desmond
Chairman

Contact Points

Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Democratic Governance and Scrutiny Manager), 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 23 September 2022

[Agenda for Audit and Governance Committee on Friday, 23rd September, 2022, 10.30 am - Worcestershire County Council \(moderngov.co.uk\)](https://www.moderngov.co.uk/2022/09/23/agenda-for-audit-and-governance-committee-on-friday-23rd-september-2022-10.30am)