

COUNCIL

12 JANUARY 2023

REPORTS OF COMMITTEES

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

Statutory Accounts and Pension Fund 2021/2022 - External Audit Findings Report

1. Mark Stocks, Key Audit Partner and Terry Tobin, Senior Audit Manager from Grant Thornton, the Council's external auditor, presented the External Audit – Findings Report for the Worcestershire County Council Statutory Accounts 2021/22 and Worcestershire County Council Pension Fund Accounts 2020/21. Grant Thornton has concluded that subject to the resolution of some outstanding queries, they anticipated issuing an unqualified audit opinion for both sets of accounts.
2. The Committee has noted the Audit Findings Report 2021/22 for Worcestershire County Council and Worcestershire Pension Fund. The Committee has asked for a report to be brought to its meeting on 10 March 2023 providing an update on the progress being made on the development of IT systems to improve the management control mechanisms over journals.

Annual Statutory Financial Statements for the year ended 31 March 2022

2. The Draft Accounts were presented to the Committee in July 2022. The external audit has resulted in a number of changes to the draft accounts and these were outlined to the Committee. Due to the expected December date of the Statutory override for infrastructure assets valuation, and the resulting changes to the CIPFA code, it is anticipated that the final sign off and publication of Audited Accounts will not take place until early January 2023 – beyond the statutory deadline of 30 November. This will apply to all upper tier authorities.
3. The Committee has noted the latest draft of the Final Accounts Pack, including the Statement of Accounts for the financial year ended 31 March 2022 and the listed amendments from the Draft Accounts Pack published in July 2022.
4. The Committee has authorised the Chairman, in consultation with the Vice-Chairman of the Committee to approve the Final Accounts Pack, including the Statement of Accounts for the financial year ended 31 March 2022, at a later date subject to receipt of the Audit Opinion. If this cannot be followed through then the Committee has agreed that instead a special meeting of the Committee be convened to sign off the Statement of Accounts. The Committee has authorised the Chief Financial Officer to sign the Letters of Representation on behalf of the County Council.

Annual Governance Statement

5. 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 2021/22. The AGS forms part of the Annual Statement of Accounts. There have been no alterations made to the draft Annual Governance Statement noted by the Committee in July 2022, and published as part of the unaudited Statement of Accounts.

6. A detailed action plan to ensure that work is undertaken to deliver the areas where it is recognised that governance arrangements could be strengthened will be developed. Progress against the plan will be reported to the Committee on a quarterly basis. The governance of the Council will continue to be monitored by Cabinet, the Audit and Governance Committee and other councillor committees, and the Council's Strategic and Wider Leadership Teams. Grant Thornton, the Council's external auditors, have considered the AGS as part of their external audit, with the aim of confirming that it is consistent with their knowledge of our organisation and the financial statements.

7. The Committee has authorised the Chief Financial Officer to arrange for the Annual Governance Statement 2021/22 to be formally signed by the Chief Executive and Leader of the Council subject to the approval of the Worcestershire County Council Statutory Accounts 2021/22 and Worcestershire County Council Pension Fund Accounts 2021/22 by the Chairman in consultation with the Vice-Chairman. If this cannot be followed then consideration of the Annual Governance Statement 2021/22 will be deferred to a special meeting of the Committee.

Appointment of External Auditors Update

8. Under the Local Audit and Accountability Act 2014, the Council is required to appoint an auditor to audit its Statement of Accounts each financial year. The Council's current external auditor is Grant Thornton UK LLP and this appointment covers the period up to and including the audit of the 2022/23 accounts.

9. In December 2021, the Council opted into the Public Sector Audit Appointments (PSAA) arrangements for procurement covering audits for 2023/24 to 2027/28. In October 2022, PSAA advised the Council (through the Chief Finance Officer) that Grant Thornton were the proposed appointment for external auditors to both Worcestershire County Council and the Worcestershire Pension Fund for the period 2023/24 to 2027/28. Following conversation with key stakeholders including the Leader of the Council, the Chief Financial Officer has sent acceptance of this proposal to PSAA.

10. Local Authorities have been advised that audit fees for the period will be significantly increased, due to the increased scope and complexity of audits, and to ensure capacity and sustainability in the local audit market. For Worcestershire, current assumptions are for additional costs in the region of £0.2m.

11. The Committee has noted the appointment of Grant Thornton as the auditor of Worcestershire County Council and Worcestershire Pension Fund for five years from 2023/24.

Annual Governance Update

12. The Committee has received an update on the actions set out in the Annual Governance Statement 2021/22 Action Plan originally reported to Committee at its meeting in July 2022. It showed that overall, the actions are on time and being progressed. There has been some delay arising from the recent departure of the Monitoring Officer but the delay should not have an impact on the work associated with the constitutional changes. This will be picked up by the Interim and new Monitoring Officer. The Committee has noted the Annual Governance update and requested that an update be brought to the meetings of the Committee on 10 March and 21 July 2023.

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. For Schools where outstanding actions have reached 3-6 months, there is agreement with the Schools Support Forum that a Letter of Concern will be issued. Where there remains an inaction a 2nd Letter of Concern will be issued, addressed to the Chair of Governors. Due to two schools not responding in full to the first Letter of Concern, Internal Audit are in the process of liaising with the Schools Support Forum to issue a second Letter of Concern to the two Schools.

14. Internal Audit are undertaking a risk assessment of the maintained Schools to determine which schools are to be included in the audit plan for the year. The assessment takes into account the budget of the school, procurement card expenditure, number of transactions, staff turnover and how long ago the school was last audited.

15. Since the last report to Committee, Internal Audit has received 8 notifications/inquiries regarding potentially fraudulent activity that have necessitated further inquiries. 4 are now closed after confirming no fraudulent activities. 4 cases remain open and under investigation while the appropriate inquiries and liaison is made with the relevant parties.

16. The National Fraud Initiative (NFI) is a data matching exercise within and between public and private sector bodies to help prevent and detect fraudulent activity. The Council has submitted all the required reports to the NFI team. The results of the process highlighting any matches will be sent to the Council in January 2023 for investigation.

17. A review has been ongoing to assess the option to pursue a partnership agreement with Worcestershire Internal Audit Shared Services (WIASS) that would form a cross public sector Internal Audit team in Worcestershire (local government, fire and police). Whilst awaiting the outcome of this review and business case, the Chief Financial Officer has decided to not recruit to the vacant Chief Internal Auditor (CIA) role and instead seek support from the WIASS CIA. Unfortunately, it has recently become apparent due to differences in terms and conditions across the County and proposed partners, that as part of that assessment the option of a shared service including the County Council will not be capable of being implemented. As such this option has now fallen away. The Committee has noted the Internal Audit progress report.

Finance Improvement Programme

18. 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.

19. The key actions expected in the last two quarters since the last report to Committee were in relation to: E5 upgrade; draft Financial Regulations; continued improvement in budget monitoring; accounts payable developments in supplier management open banking; and workforce planning. The Committee received detailed updates on the work being undertaken on all these projects. The Committee has noted the report and that further updates are brought to the Committee in July 2023.

People Directorate – Debt Position Statement

20. The total debt outstanding for the People Directorate as of 31 October 2022, was £18.83 million (an increase of £88k on the July 2022 figure) of which 59.2% (60.7% in July 2022) was aged more than four months old. However, while the overall debt has increased marginally, the figure for Adults Social Care (ASC) has increased by £696k and Public Health has decreased by £680k. The upward trend in the value of Adult Social Care Debt has continued since July with debt increasing by a further 5% (to £15.9 million) in the last 3 months, whilst other service areas have reduced by 21% (to £2.9 million) as of 31 October 2022.

21. 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. The Team continues to review the resourcing of this activity and whether external collection provision should or could be used. However, such a move could attract negative publicity, particularly during the "cost of living" crisis. There has been increased pressure in Court of Protection client debt and a dedicated resource is now in place to manage this. It should also be noted that while over £4.5m is owed by clients who are still in receipt of service, the Council is not legally permitted to withdraw its provision to these individuals. The Council continue to explore how best to secure payments from such individuals.

22. Considering the increasing debt levels, FOS teams are considering a number of initiatives to improve client engagement and increase payment levels. The Committee received details of the specific projects and developments as well as legal action being undertaken.

23. In addition to the ASC invoiced debt noted above, the Council has a longer-term debt that it recognises of £2.6 million (as at October 22) relating to Deferred Payment Agreements. In these cases, eligible service users enter into a legal agreement whereby a charge is placed against property by the Land Registry to secure the Council's debt. The Council currently has 76 Deferred Payment Agreements in place.

24. At the request of the Committee, the Strategic Director for People attended the meeting and answered questions. The Committee has noted the Debt Position Statement for the People Directorate. The Committee has requested that an update be brought to the Committee meeting of the Committee on 21 July 2023. In particular, it was requested that the report set out details of progress of the plans in place to prevent social care debt accumulating from the initial point of contact at which the client received the care.

Work Programme

25. 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 30 November 2022

[Agenda for Audit and Governance Committee on Wednesday, 30th November, 2022, 2.00 pm - Worcestershire County Council \(moderngov.co.uk\)](#)