

COUNCIL
18 MAY 2023

REPORTS OF COMMITTEES

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

External Auditor's Annual Report 2021/ Report

1. Mark Stocks, Key Audit Partner from Grant Thornton presented the External Auditor's Annual Report 2021/ Report. The 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 2021/22 year and summarises all of the reports and work that the external auditors have undertaken. The report closes the 2021/22 audit. The report includes the auditor's opinion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources, and opportunities for improvement.
2. The Committee has noted the External Annual Audit Report 2021/22. The Committee emphasised the importance of risk management and invited the Strategic Director for Economy and Infrastructure and the Strategic Director for Commercial and Change, as lead officers, to provide an update on the Council's approach to risk management at its meeting on 21 July.
3. The Committee has requested that reports be brought to future Committee meetings in response to the recommendations 1-9 as set out in the External Annual Audit Report relating to financial sustainability, governance, and improving economy, efficiency and effectiveness.

Statutory Accounts 2022/23 Progress, Accounting Policies and Estimates

2. 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 previous years, the notes to the 2022/23 Statement of Accounts will include the relevant accounting policies.
3. Following a review, there is one change to the Council's accounting policies for 2022/23, which is the introduction of a de minimis level of £5,000 for capitalisation. There is no de minimis level introduced for capital expenditure by schools.
4. There are other amendments to the wording of the accounting policies for the 2022/23 accounts, however these are not changes to the policies themselves, but rather expansion of detail in the accounts to clarify existing policies.

5. The Central Finance Team are on target with both the preparation work required for the Statutory Accounts production, and with responses to support external audit planning and initial risk assessment activity. The Committee has noted the work in preparation for the 2022/23 Statutory Accounts.

6. The statutory deadlines for the 2022/23 accounts are for draft statements to be published no later than 31 May 2023, and for external Audit sign-off to be completed by 30 September 2023. The Council's detailed closedown plan is built around these deadlines. A further meeting of the Committee has been arranged on 26 May 2023 at 2pm to consider the draft Statutory Accounts of 31 May 2023. The Committee has approved the accounting policies for 2022/23.

7. The preparation of financial statements requires management to make judgements, estimates and assumptions which affect the value of assets and liabilities reported at the balance sheet date and amounts recognised as income and expenditure in the year. The material accounting estimates which affect balances and transactions in the year for the year ending 31 March 2023 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 Committee has noted the management arrangements to identify and evaluate accounting estimates.

Annual Governance Update

8. The Annual Governance update report indicated that overall, most audit actions are on time and being progressed. There continues to be some delay arising from the departure of the Monitoring Officer in the financial year which will now mean some actions will flow over into late 2023. Some of the work around performance has also slipped as the Strategic Leadership Team are reviewing the arrangements surrounding risk management.

9. A large proportion of this work is due to be delivered in the final quarter of this year and as such this progress is broadly as expected and a further report will be brought to the July Committee. The Committee has noted the Annual Governance update.

Internal Audit Progress Report

10. The role of the Council's Internal Audit Service is to enhance and protect organisational value by providing independent assurance, advice and insight into the Council's overall risk management, governance, anti-fraud and corruption and internal control processes.

11. The Committee received details of the progress of the audit and compliance 2022/23 deliverables and plan. 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.

12. 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 have received back all the NFI reports which require review and Internal Audit are working with service areas to ensure timely review of the matches.

13. Since the last report, of the 4 open reported inquiries, 2 cases have been closed and Internal Audit are continuing inquiries with 2 cases. A further 5 inquiries have been received and appropriate action has been undertaken either by investigation by Internal Audit or service area reviews. 3 of these have been closed and 2 remain open.

14. 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. 10 grants have been certified as accurate at the date of the Committee.

15. 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.

Internal Audit Plan Focus 2023/24

16. The Internal Audit Plan Focus details the coverage and approach that Internal Audit will take to provide assurance to the Council. The Plan is a risk-based and considers the adequacy of the Council's risk management, performance management, challenges, other assurance processes as well as organisational objectives and priorities. School audits feature prominently in the plan. Internal Audit will work towards achieving a satisfactory outcome by adopting and following the process. The audit plan is shared with the external auditors for information along with some of the work that is undertaken during a review.

17. The 2023/24 Internal Audit Plan Focus provides high level review areas for the year. Internal Audit have assessed the resource requirement against availability and can confirm that the Plan is based on a full establishment. Internal Audit currently have two vacancies but are actively recruiting. Any adjustment to the Plan will not jeopardise the end of year Chief Internal Auditor opinion. 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 including any planned adjustments.

18. The Internal Audit Charter approved by the Committee in March 2022 remains predominantly unaltered. The Committee has approved the Internal Audit Plan Focus 2023/24 .

IT Control Recommendations - Progress Report

19. At its meeting on 30 November 2022, the Committee requested that a report on the progress being made on the development of IT systems to improve the management control mechanisms over journals

20. In March 2021, Grant Thornton completed an IT Audit report for Worcestershire County Council and the Pension Fund. The report included ten recommendations around overall IT Controls. Of these ten, three remain not fully implemented. As at March 2023, the Finance Systems Team have appointed to two new posts in their structure which will enable faster completion of development work, including the control issues still outstanding. The Committee has noted the progress and latest management comments on IT Controls.

Work Programme

21. 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 10 March 2023

[Agenda for Audit and Governance Committee on Friday, 10th March, 2023, 10.30 am - Worcestershire County Council \(moderngov.co.uk\)](#)