

9 July 2015

9. REPORTS OF COMMITTEES

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

Annual Statutory Financial Statements for the year ending 31 March 2015

1. The external audit of the Statement of Accounts for the year ending 31 March 2015 has been substantially completed and independently audited by the independent external auditor, Grant Thornton.
2. The County Council is required to present a draft Statement of Accounts to the Audit and Governance Committee by 30 June 2015 and publish an audited Statement of Accounts by 30 September 2015. By reporting a substantially complete Statement of Accounts to the Committee by 30 June 2015, the intention is for the County Council to go a step further than required statutorily and publish the audited Statement of Accounts prior to the end of September statutory deadline.
3. Members were concerned that appendices on the financial statements and auditors' reports were received so late as to allow little time for consideration. It was agreed that in future, the Statement of Accounts would be circulated in draft form to members of the Committee at an earlier stage prior to the despatch of the agenda papers.
4. In response to questions, members received an explanation for the substantially reduced balance sheet total for the County Council in spite of actual results as reported to Cabinet showing income matching expenditure. Members were informed that the balance sheet reduction was mainly due to two factors: removing the asset values of certain categories of schools in accordance with recent accounting recommendations; and £101.3m increase in the Council's share of underfunded pension obligations which was attributed mainly to the lower gilt rate used to discount future pensions liabilities, with the result that the net liability increased in spite of the healthy increase in pension fund assets.
5. Members received verbal updates from the independent external auditors, Grant Thornton, on certain matters to do with the Council's financial statements. The

independent external auditor has indicated that they will issue an unqualified audit opinion subject to the Audit and Governance Committee approving the statements, a small number of tasks that require completion on the external audit, and there being no matters arising from the public inspection period.

Annual Governance Statement

6. The Committee has approved the Final Accounts Pack including the Statement of Accounts for the financial year ending 31 March 2015 and authorised the Chief Financial Officer to sign the Letters of Representation on behalf of the Council.

7. The Accounts and Audit Regulations 2011 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement each year with the financial statements.

8. The Annual Governance Statement confirms the overall assurance of the Council's systems and has been signed by the Chief Executive and Leader of the Council. The Committee has approved the Annual Governance Statement.

Corporate and Transformation Risk Report

9. The Corporate and Transformation Risk Registers provide a mechanism for the collation and reporting of the strategic risks that could impact the delivery of corporate objectives. The risks identified are closely monitored within directorates and fed into the corporate process to provide assurance to Members and management on the adequacy of arrangements and the use of resources

10. The Committee has considered the latest refresh of the Corporate and Transformation Risk Registers and noted the red risks and mitigating actions.

Internal Audit Annual Report 2014/15

11. The Annual Report presents a summary of internal audit work undertaken during 2014/5 and specifically:

- Gives an opinion on the overall effectiveness of the Council's control environment and the extent to which the Council can rely on the opinion
- Makes reference to any issues relevant to the Annual Governance Statement.

12. During the year there have been a number of areas where internal audit have identified the need to strengthen individual control processes. The Committee has endorsed the Internal Audit Annual Report 2014/15.

Internal Audit Risk

13. The proposed Internal Audit Risk Assessment and Plan for 2015/16 which has been subject to extensive

Assessment and Plan 2015/16

Internal Audit Commissioning Update

consultation with management, has been approved by the Committee.

14. Following detailed discussions between officers agreement was reached during March on the transfer of the internal audit service to Warwickshire. Consultation with staff commenced on the 12 March 2015 and the Chief Financial Officer subsequently approved the transfer under delegated powers. Warwickshire County Council formally agreed the proposal on 24 March 2015.

15. Both councils will retain their own audit committee which will consider relevant reports, as now, in respect of plans and work undertaken for their respective organisations and generally discharge the responsibilities of an audit committee as set out in professional guidance.

16. A significant amount of work was undertaken by finance, IT, legal and HR services of both councils to give effect to the decision and the Worcestershire audit team successfully transferred to Warwickshire on 1 May 2015. The Committee has noted the updated arrangements.

Work Programme

17. The Committee noted its future work programme.

**Mr W P Gretton
Chairman**

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) 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 26 June 2015