

Audit and Governance Committee

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 22 NOVEMBER 2023 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Iain Wallis (Chairman), Cllr Stuart Wheeler (Vice-Chairman), Cllr Chuck Berry, Cllr Adrian Foster, Cllr Gavin Grant, Cllr George Jeans, Cllr Pip Ridout, Cllr Mike Sankey, Cllr Martin Smith and Cllr Howard Greenman

Also Present:

Cllr Nick Botterill

50 **Apologies**

Apologies for absence were received from Cllr Antonio Piazza.

51 **Minutes of the Previous Meeting**

The minutes of the last meeting held on 19 September 2023 were presented for consideration.

After which, it was,

Resolved:

To approve and sign minutes of the last meeting on 19 September 2023 as a true and correct record.

52 **Declarations of Interests**

There were no declarations of interest.

53 **Chairman's Announcements**

The Chairman made the following announcements:

- **An Update on the 2019/20 Accounts and Audit Process**

The Chairman outlined that the External Auditor was not currently in a position to finalise their opinion on the 2019/20 Accounts and any additional related commentary, and therefore the approval of the final accounts by this committee at this stage is not appropriate. It was planned that a full report would be brought forward at the meeting of this committee in February to request approval of the final 2019/20 accounts and accept the external auditors report.

It is also planned at that committee that a further update on the Governments approach for clearing the national backlog of would be made.

- **Accounts and Audit briefing note to all Members.**

A briefing note was sent out on 10 November 2023, which was to keep Members abreast of the position on the on-going delays to the conclusion and approval of the Council's Accounts and Audit and set out the reporting made to councillors of these ongoing delays. It was noted that the position of significant delay in accounts and audit processes was seen across many councils nationally and the number of delayed audit opinions now stands Accounts and Audit backlog and delays at 918 with only 5 out of 467 local government audit bodies' 2022/23 audit opinions issued.

The briefing note provided an overview of the reports and updates which had been presented to Members since 2023, with it noted that Officers continue to work with the current external auditors, Deloitte to ensure conclusions were drawn the outstanding accounts in the most efficient and effective manner, considering the regulatory requirements on both the council and the auditors.

Furthermore, it was acknowledged that longer term change was required to address the underlying issues and challenges to prevent a recurrence of backlogs in the future. This would include addressing workforce issues and ensuring proportionate financial reporting requirements, auditing and regulatory requirements were in place.

Following the announcement, there was a suggestion that the February meeting take place in the Council Chamber, with the hope that all councillors would be able to attend and have an opportunity to discuss the final audited accounts. It was agreed that officers would discuss the logistics of this move and approve if appropriate.

- **Stone Circle Scrutiny**

The Chairman noted that the Overview and Scrutiny Management Committee had established a task group to consider the options for appropriate scrutiny engagement on Stone Circle. This work would begin with an online information briefing for members about Stone Circle on 29 November 2023. All members would receive an invitation. Following this, the task group will begin work, with its final report and recommendations then coming back to OS Management Committee, probably in the new year. Members interested in taking part in the task group should contact henry.powell@wiltshire.gov.uk, Democracy and Complaints Manager.

Following the announcement, concern was raised that the briefing was set to take place at the same time as a meeting of the Strategic Planning Committee, to which officers provided assurance that the briefing would be recorded and that they would be happy to take questions from Members to ensure that everyone was briefed.

In addition, a suggestion was made that it could be worthwhile to insist that Governance procedure was written into any entity created and delivered by the Council. The Chairman suggested that this would likely to be added by the Overview and Scrutiny Committee as a recommendation and that after the report had been produced by the task group it could be added to the agenda.

- **Independent Members on Audit & Governance**

The Chairman noted that on several occasions attempts had been made to recruit an independent co-opted member to the Audit & Governance Committee, in order to help the Committee in discharging their duty. The Chairman stated a desire to restart this recruitment process and had reviewed the role description, job advert and application form. At present, being a member of a political party would exclude someone from applying for the role. Having considered this, it was believed that whilst a person should declare a membership of a political party, this should not mean that they could not apply for the position. If the successful candidate was a member of a political party, this would be included on their register of interests.

Following the announcement, Cllrs Sankey and Grant stated that they would be happy to continue partaking in the recruitment process. In addition, a suggestion was made that regarding whether holding office in a political party should be treated separately to being a member of a party. Another area suggested to be considered was whether an applicant was part of a union, to which the Chairman suggested this could be considered appropriate at the application stage by the recruitment panel. The exclusion of Directors of Stone Circle was also suggested, to which the Chairman stated that it was likely that guidance was already in place for this.

Guidance was providing by the Monitoring Officer and Director of Legal and Governance, Perry Holmes, that the aim of the recruitment process should be to recruit someone who would provide a skillset whilst also having a degree of independence.

The Chairman proposed a motion recommendation to restart the recruitment process for an independent co-opted member on the Audit & Governance Committee, to remove the exclusion regarding applicants being in a political party and for Cllrs Gavin Grant and Mike Sankey to partake in the recruitment process. This was seconded by Cllr Adrian Foster.

After which, it was,

Resolved:

- **That the recruitment process for an independent co-opted member on the Audit & Governance Committee be restarted.**
- **To remove the exclusion regarding applicants being in a political party.**
- **That Cllrs Gavin Grant and Mike Sankey would partake in the recruitment process.**

54 **Public Participation**

There were no public questions or statements received.

55 **Internal Audit Update**

Sally White, Assistant Director (SWAP) presented an update on the Internal Audit provided by SWAP. The update was a routine update for the Committee, providing a reasonable opinion at this stage in the year. In addition, a limited opinion was issued regarding risk management and the review of procurement cards. It was outlined that three significant corporate risks had been identified, with a detailed follow up audit currently taking place on Pension Fund Key Controls, with a report set to be brought back to the Committee in late January.

A further significant corporate risk was reported on regarding the Payroll Reconciliation Project and that the outsourced project's target completion date had been extended to the end of 2023. Furthermore, it was noted that no work had been undertaken on the ICT Network Boundary Defences, which had also been identified as a significant corporate risk and that full mitigations of the risk had been identified.

Attention was drawn to the report which provided tables outlining the SWAP Internal Audit Plan Coverage and that Members should also visit the live rolling plan dashboard on the SWAP Audit Board system for the latest data, which had changed slightly since the report was submitted.

Reference was made to page 3 of the report, which included a snapshot of the action dashboard and provided an overview of management actions by priority and whether actions were overdue. It was outlined that currently there were 30 open management actions by directorate.

The following points and questions were raised by Members of the Committee, with clarity provided that the 5 open management actions with revised due dates would now sit within the open management overdue actions. Further detail was also provided regarding the revised due dates, with it noted it was important to highlight these to the committee should trends occur. Assurance was provided to the Committee by officers that some of the overdue actions had been reliant upon the implementation of Oracle, which itself had seen slippage. Furthermore, it was noted that a number of the overdue actions related to the Pension Key Control work, which once signed off would close off a number of actions and would allow for an improved dashboard to be brought back to the Committee in January.

Concern was raised regarding the revision of dates and how issues didn't seem to have been addressed, including being unable to meet demands with SEND and the failure of housing management developments. It was also suggested that there was a concern regarding environmental impact, which didn't seem to have an audit, though it was a high priority of the Council. Assurance was provided that a climate change audit was currently being conducted. It was also

highlighted to Members that going forward the report would demonstrate two years of audit coverage, rather than one year which was currently being shown as SWAP had recently joined onto a new software audit board. Furthermore, clarity was provided that audit work had taken place with SEND, however this wouldn't be shown in the tables provided.

Assurance was provided that a follow up audit on Pensions Key Controls was taking place to ensure that key controls were operating as intended. Furthermore, that there would be an update at the meeting of the Wiltshire Pension Fund Committee on 23 November regarding an improvement plan and areas which were being addressed.

Informal Action: It was agreed that the Chairman of the Audit & Governance Committee have a conversation with the Chairman of the Wiltshire Pension Fund Committee regarding the overall governance.

Clarity was provided regarding page 2 of the report, which outlined 5 strategy risks which had currently received no coverage, to which it was outlined that SWAP were set to review the strategic risks and then appoint officers to fill gaps which would require audit work.

The Chairman proposed the recommendation within the report to note the Internal Audit Update provided by SWAP. This was seconded by Cllr Stuart Wheeler.

After which, it was,

Resolved:

- **To note the Internal Audit Update provided by SWAP.**

56 **Risk Management Service Update**

Perry Holmes, Director Legal and Governance and Monitoring Officer presented the Risk Management Service Update. The Monitoring Officer outlined that he was grateful for the work which had been undertaken by SWAP, including a comprehensive audit of the risk process with there an aim of making improvements. The audit was conducted at the start of the year, and it was reported in July that there had been significant progress against agreed actions.

It was outlined that a new version of the Risk Register had been launched as well as a first draft of the new risk policy. Work was progressing on other actions, with some areas set to be completed within timescale or ahead of schedule. The Monitoring Officer stated that next week the first meeting of the new Risk Working Group would take place, which he would chair and along with colleagues from the Extended Leadership Team, would respond to questions posed by the Committee as well as providing feedback on risk appetite and considering training. The group would review strategic risks and come forward with a new reporting protocol for reports, like what was previously seen at Cabinet. Significant progress had been made against concerns previously

brought forward, with it outlined that an approach is being taken so that each action can be moved to a better place with an intention to look at best practice across the Local Government sector and HMRC.

The following points and questions were raised by Members of the Committee, including queries relating to procurement risks, having seen some failures in other corporate governance. Clarity was provided that there are bigger areas of risk exposure within contract areas with process guarantees, declarations insurance cover and certification required. Additionally, it was outlined that due diligence checks are carried out in an operational and financial capacity. The complexity of the contracting landscape was referenced, with differences between care and highways contracts cited. Reference was made to ensuring that the tender document evaluated the right criteria with experts evaluating responses provided as well as ensuring the correct legal process was followed. The importance of credit checks was cited as well as management indicators and mitigations to ensure contractual performance. Further clarity was cited that there is not a one size fits all contract and clauses in each contract will vary.

A question was raised as to whether it would be possible to set up an audit process on each cost input to identify where cost index risks might lie within contracts. The Section 151 Officer stated that there is a need for there to consider the balance of complexity when going through the procurement process and that it would leave the Council open to challenge should documents not be clear. It was also important to be mindful that each independent bidding company would have a different cost base and model. It was important to have a strong contract management process in place so that the Council was able to understand risk and have conversations with strategic contractors.

The concept of being able to be flexible with the terms and conditions of contracts was discussed to allow businesses to financially survive whilst still delivering a service. It was stated by officers that contract management and relationships were the key to success as well as having honest conversations about service delivery. The Section 151 Officer stated that when putting out contracts, the Council would need to be aware of the initial position of a contract as to change details in the future would leave the Council open to challenge from other bidders. The officer also confirmed that conversations take place regarding the cost of living, however there was an importance of being aware of the legal position and processes in place.

Assurance was sought regarding the responsibilities of the Audit and Governance Committee and the Overview and Scrutiny Committee (OSMC), with concern raised that it wasn't clear whether OSMC were aware of what was expected of them and how their obligations should be discharged. The Monitoring Officer outlined that the Risk Register had been shared to both Cabinet and OSMC and that the risks within had been mitigated and were open for all committees to deal with risks. It was stressed that Members of OSMC spoke about risks, with examples cited about risks to children's services and that the Audit and Governance Committee retained an ability to highlight any risks in its area to OSMC, which might need further consideration.

It was suggested that there wasn't appropriate interaction between the Audit and Governance Committee and OSMC, with it suggested that there was ambiguity between responsibilities and clear evidence of such responsibilities being discharged. The Monitoring Officer stated it would be for the Committee and individual Scrutiny Committees to assure themselves of the mitigations taking place to stop risks from derailing the business plan. Reference was made to how the Risk Register was split so that each relevant Committee would receive risks relevant to their respective areas to then be reported upon.

Informal Action: It was agreed that the Chairman and the Vice-Chairman of the Audit and Governance Committee would have a conversation with the Chairman and Vice-Chairman of the Overview and Scrutiny Committee to ensure that responsibilities were understood.

A point was made regarding the relationship between risk and insurance, with it hoped that new risk management would recognise this. The Monitoring Officer noted that new risk management would improve the flow of information and that insurance was a good way of dampening the impact of risk should it come to fruition. It was noted that regular conversations take place with the legal department to ensure coverage.

Reference was made to exception contracts and how reconciliation is made should the Council encounter issues. The Section 1515 officer noted that the law must be applied depending on the tendering situation faced and with different processes. Regarding exceptions, decisions have to be made where contractors might not be following the rules but still acting legally; therefore meaning it was important to note that there isn't a one size fits all approach to each contract. The Council has a framework in which it needs to operate and laws, however each situation and expectations can be different. Further detail was also provided that documents are sent out to bidders in a certain way with steps to be considered.

It was questioned whether the Council had appropriate contingency plans in place for should risks come to fruition, to which the Monitoring Officer provided assurance to the Committee that all building contracts taken out consider contingency. Horizon scanning was discussed, with it noted that in general the Council had shown agility and resilience in the past 5 years to respond to issues outside of its control. It was agreed that as part of policy work it would be considered whether the idea of contingency was covered sufficiently. The Section 151 drew reference to budget setting and that financial contingency was considered within this process through assumptions and whether reserves would be adequate to offset risks.

The Chairman proposed the recommendation within the report to accept the status update following the recent risk management audit. This was seconded by Cllr Gavin Grant.

After which, it was,

Resolved:

- **To accept the status update following the recent risk management audit.**

57 **Anti-fraud risk update**

Lizzie Watkin, Section 151 Officer, presented an update on anti-fraud activity. The report provided an update regarding activity undertaken relating to the anti-fraud, bribery and corruption policy, which had been adopted and approved by the Committee. Specific attention was drawn to paragraphs 8-12 which detailed activity. The report showed that when serious allegations are made, using SWAP's counter fraud team as an independent investigator, action is taken.

The following points and questions were raised by Members of the Committee including whether there was training available relating to anti-fraud, bribery and corruption as well as how wide reaching this training would be. It was clarified that part of the policy is to ensure that relevant officers are adequately trained, and a session had taken place for officers and heads of services. Currently further work is being conducted by SWAP regarding a wider roll out of training and an assessment of the overall fraud position has been conducted.

Clarity was sought regarding the financial loss sustained through the case of fraud which took place involving the Pension Fund and what the process was when such incidents happen and how further activity could be prevented. Clarity was provided that SWAP undertake most investigations and present their findings to management, who then have the responsibility of adding additional controls to weaknesses. The Section 151 Officer had oversight of all allegations as well as a responsibility to ensure the control framework is still appropriate.

Regarding paragraphs 9-12 of the report, it was stated that the report showed that the Council does look at allegations and the mechanisms for reporting fraud do work, with the example cited of a whistleblowing allegation and how it was important that the whistleblowing policy provided staff and councillors with the confidence to raise concerns.

The responsibility held by the Council to investigate fraud was clarified by officers, with it stressed that the Council was only concerned with its own business and did not get involved with fraud impacting third parties.

The Chairman proposed the recommendation within the report to note the update on anti-fraud activity. This was seconded by Cllr Martin Smith.

After the conclusion of the debate, it was,

Resolved:

- **To note the update on Anti-Fraud activity.**

58 **Forward Work Programme**

The Forward Work Plan for the Committee was presented for consideration, with it noted that the final audited accounts should be added to the Forward Work Plan for the February meeting, which would take place before the meeting of Full Council.

After which, it was,

Resolved:

- **To note the FWP with the addition of the 2019/2020 accounts in February.**

59 **Date of Next Meeting**

It was announced that the next regular meeting of the Committee would be held on 7 February 2024 at 10.30am.

60 **Urgent Items**

There were no urgent items.

(Duration of meeting: 10.30 am - 12.20 pm)

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