

## Audit and Governance Committee

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### MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 24 NOVEMBER 2021 AT COUNCIL CHAMBER - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

#### **Present:**

Cllr Mark Connolly (Chairman), Cllr Stuart Wheeler (Vice-Chairman), Cllr Adrian Foster, Cllr Gavin Grant, Cllr George Jeans, Cllr Antonio Piazza, Cllr Pip Ridout, Cllr Mike Sankey and Cllr Martin Smith

#### **Also Present:**

Cllr Pauline Church and Cllr Ian Blair-Pilling.

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#### 15 **Apologies**

Apologies for absence were received from Cllr Chuck Berry and Cllr Edward Kirk.

#### 16 **Minutes of the Previous Meeting**

The minutes of the last meeting on 11 October 2021 were presented for consideration and it was,

#### **Resolved:**

**To approve and sign the minutes as a true and correct record.**

#### 17 **Declarations of Interests**

There were no declarations of interest.

#### 18 **Chairman's Announcements**

There were no announcements.

#### 19 **Public Participation**

No public questions or statements were received.

#### 20 **Update on the Statement of Accounts 2019/20**

Lizzie Waktin (Assistant Director Finance & Deputy s151) gave an update to the meeting on the progress of the Statement of Accounts 2019/20.

The officer explained that Wiltshire Council was not alone as an authority regarding the delay in signing off the accounts, there was strain in the sector with around 19% of councils in the same position. There was an increase in the technical complexity of the accounts and audit process along with recognised resource issues in the sector. A lot of work had been submitted to the external auditors, Deloitte, and queries were coming back which were being worked through. There were a few small items outstanding. The focus was to complete the queries and work this side of Christmas and some officers sole focus was progressing this work. The scale of work was very large and complex, with evidence to be provided and iterations of queries involved, which meant it was time consuming. The Council had a strong working relationship with Deloitte, with weekly meetings to review progress taking place. Wiltshire Council was pushing to see what else was needed in order to sign off the accounts. The scale of historical issues with the accounts was large but 50% of the information had been provided regarding the asset base, which gave confidence that the accounts gave a clear view of the situation. It was hoped that the 2019/20 accounts would be signed off internally by Christmas and would come to the February meeting of the Committee, although this could not be guaranteed due to the very technical and complex nature of the work.

The officer explained that the Committee had not seen a draft of the statement of accounts 2020/21 as assurance was needed on the asset base first. Temporary resources had been brought in to help progress the work and many improvements had been made to controls and processes to ensure robustness in terms of evidence.

Ian Howse, Deloitte, apologised to the Committee for the delays and explained the complex nature of the work. He gave assurance that both the finance team and his team were working hard to respond to the situation and had a shared objective to complete the statement of accounts 2019/20 as soon as possible. The 2020/21 and 2021/22 accounts would be worked on concurrently so that they could both be brought to Committee as soon as was viable.

The Chairman acknowledged the historical issues with the accounts and hoped that things would be back on track soon. It was,

**Resolved:**

**That the Audit and Governance Committee note the verbal update on the Statement of Accounts 2019/20 and the ongoing delay to the completion of the audit process and formal approval by the Committee.**

21 **Internal Audit Reports**

At the Chairman's invitation Becky Brook (SWAP) gave a presentation to the Committee on the November IA update report 2021/22, consolidated IA outstanding management actions report and proposed Q4 IA plan.

It was stated that the agenda reports would be taken as read and that the overall IA opinion was reasonable. Since the last Committee meeting, one no assurance audit opinion had been given, which had three priority one actions, details regarding this could be seen at page 53 of the agenda. Despite the no assurance audit the Care Home Alliance did have good prospects for improvement.

Notable changes to the Audit Plan were listed at page 55 of the agenda and a summary of IA work undertaken started on page 62 of the agenda.

Andy Brown (Corporate Director Resources, Deputy Chief Executive and s151 officer) explained that the Care Home Alliance Interim Report had been requested by himself as Chairman of the Commercial Board. The Care Home Alliance involved the provision of residential and nursing care home beds services in Wiltshire and had come up for tender in March 2021. The tender was not awarded due to significant cost increases and the decision was made to re-procure, and advice was given including actions to mitigate price increases. SWAP had been encouraged to undertake the report and a no assurance audit was disappointing and should be a significant concern to Wiltshire Council and the Audit and Governance Committee. The fact that lessons were not learned from the first failed procurement exercise was stated as being a worrying concern. Management actions were being implemented to address the concerns raised. Mr Brown stated that the Committee should be appraised of limited or no assurance audit opinions and get assurance that actions were in place to mitigate risk. As a result, it was suggested that this item be added to the Forward Work Plan and come to the February Committee meeting.

Cllr Pip Ridout stated that the Financial Planning Task Group had received reports regarding this and that comprehensive actions were being taken to mitigate risk in this complex area. Cllr Ridout hoped that sufficient money would be put aside in the upcoming budget proposals to cover the Care Home Alliance.

In response to questions Andy Brown explained that you could argue that the market was tested in March with the original procurement and that the prices given were far beyond what could be managed. However, there were actions that could be taken when approaching a tender in order to frame or shape the contract. The lessons from March had not been learnt which had resulted in the no assurance audit. Now that the approach was being managed the same mistakes should not be repeated again.

In response to further questions the officer explained that the Council was being realistic. The Council had to provide nursing care, a contract had to be in place, but that contract had to be right. Prices would go up, but providers also had to be realistic with their prices, the market should be managed so that the budget was not exceeded.

Cllr Pauline Church, Cabinet Member for Finance echoed the officer's comments and thanked him for escalating the matter and requesting SWAP to undertake their report. It was hoped that these and the further planned actions would reassure the Committee.

It was,

**Resolved:**

**That the Committee note:**

- **The November IA update report 2021/22 and consolidated IA outstanding management actions report.**
- **The proposed Q4 IA plan.**

## 22 **Third Party Spend Purchase to Pay**

At the Chairman's invitation Andy Brown (Corporate Director Resources, Deputy Chief Executive and s151 Officer) gave a presentation on Third Party Spend Purchase to Pay. The officer explained that SWAP had given a limited assurance audit report on this at the last Committee meeting. It had highlighted issues within Wiltshire Council regarding the procurement process and on how spend and contracts were managed. There were pockets of good practise, but this was not organisation wide and improvement was required. The commercial framework needed to be reviewed. An officer task and finish group would be set up with officers from procurement and legal, to ensure that when going to tender and issuing contracts that internal rules were followed and legislative requirements met. Exemptions (where the Council does not follow internal rules) were another issue and these were occurring too frequently. Exemptions should be few and far between and for good reason, but providers contracts were regularly rolled over without the market being tested. Therefore, another task group would look at that issue.

The Commercial Board which the officer Chaired was set up to take oversight of procurement. The officer explained that it was really important to manage third party spend as it was the biggest spend that the Council had. The Commercial Board hoped to capture savings as result of re-tendering. It would also look as whether contracts were required, whether they were statutory, and would ask questions around markets and prices.

The officer further explained that legislation had been updated as a result of Brexit and we needed to ensure that we were compliant, had good governance, had standard procurement documentation and provided commercial awareness training to budget managers.

The officer gave assurance to the Committee that whilst there was still quite a lot of work to do across the organisation, he was focused on the issues and spoke regularly to SWAP. It was possible that there may be further limited or no assurance audits whilst the new processes were being embedded.

The Chairman stated that the presentation was a bit shocking, but he was glad to hear that a lot of work was being undertaken to resolve issues and thanked Mr Brown for the update.

Members also expressed unease about the situation and requested whether it might be possible to have a timeline going forward of the issues that might be coming the Committee's way and that it would be useful to know about controls and mechanisms. Questions were also asked as to whether there was a separate mechanism for political discussion regarding this.

In response the officer explained that regarding controls there were still things to put in place. The current resourcing and structure were being reviewed and would be changed. The senior management restructure had placed commissioning and procurement together so that there was a commercial focus. There was a roadmap for improvement and some of the work had already started, for example to ensure the basics such as the documentation was correct. Resources were now being looked at, but there were not currently timescales that could be shared.

The officer also explained that COVID had put the Council in a completely different place financially. The Council had to lock down spending and ensure that it was financially sustainable. The Commercial Board had evolved out of that process in order to give oversight. This remit would now cover the future lifecycle of procurement. Part of the vision was to have an up-to-date contract register, with knowledge of market performance and expectations. It was hoped the new processes and controls would become ingrained within the organisation and be part of business as usual. The officer stated he was happy for this subject to be added to the Forward Work Programme and to update on it at the next Committee.

Cllr Pauline Church (Cabinet Member for Finance) responded regarding the political aspect. Cllr Church stated that procurement decisions were operational and not political in nature and were undertaken by officers. However, the strategic direction taken was political and the Scrutiny Committees were involved in order to hold the executive to account and therefore give reassurance to councillors that things were going in the right direction. The aim was to change the procurement culture within the Council. Cllr Church felt that a lot of time was spent on how much money was raised via the precept, but not enough time was spent looking at how money was spent and whether the Council got value for money. Aligning procurement and commissioning was a good start. It was recognised that some commercial skills were in short supply and additional resources may be required.

Councillors commented that they agreed with the Cabinet Member and officers and congratulated them on the approach being taken. Councillors also stressed the importance of concentrating on how we go about spending, rather than how we go about saving and it was a critical role of the Audit and Governance Committee to check this. There should be a clear pathway and processes to follow when procuring and all Directors and officers should be aware of this. It

was felt that contracts were extended too often just because the Council had always used those companies. It was,

**Resolved:**

**That the Committee note the Third Party Spend Purchase to Pay presentation.**

23 **Reconsideration of Independent Members on Audit & Governance**

Andy Brown (Corporate Director Resources, Deputy Chief Executive and s151 Officer) advised the Committee that there was no report for this item and therefore it would be considered in full at the next Committee meeting.

As some background the officer explained that the previous Audit and Governance Committee had considered whether to have independent co-opted lay members (i.e. non Councillors) as part of the Committee as there was a Chartered Institute of Public Finance and Accountancy (CIPFA) recommendation to have independent members as part of Audit Committees. The previous Committee had formed a task and finish group to look at the matter and investigated whether other local authorities had independent members. At that time, they decided not to co-opt independent members and recommended that the new Committee (after the 2021 elections) look at the issue again.

The officer explained that considerations for the Committee would be the merits a lay member could bring to the Committee and the CIPFA recommendation. He stated that he would support the co-option of independent lay members and that at a previous Local Authority he worked at they had an independent member who was the head of Audit at another authority, so they brought really valuable experience, good advice and enhanced the Committee's role.

Members were supportive of the idea of having co-opted independent lay members as part of the Committee as they felt it would bring a different perspective and valuable experience, knowledge and advice. It was,

**Resolved:**

**That the Committee should recruit independent members and requested that officers start the process to achieve this.**

The officer explained that a full report would come to the February meeting as there was much to be considered regarding independent members, such as remuneration and expenses. There would be a process to go through including constitutional steps. So, this vote could be seen as a direction of travel that the Committee wished to take, and full matters could be considered at the next meeting.

24 **Cyber Security**

David Wilson (Major Projects and Performance Manager) gave a presentation on Cyber Security on behalf of Mike Ibbitson (Assistant Director ICT). The presentation was published in agenda supplement 1.

It was explained that the Committee had received an item on Cyber Security in April 2021 in response to a SWAP audit. The SWAP audit actions had been addressed and further actions were being undertaken to improve matters further. ICT used to have 1 officer working on cyber security, this was now a small team who were being robustly trained. A cyber security management process had been developed and the team were working towards the Cyber Essentials Plus certification in order to comply with best practise.

Members commented that they were shocked there had previously only been 1 person working on this and were glad that resources had been increased.

In response to a question regarding how the cyber incident management process worked, the officer explained that it was important to involve the right members of senior management as soon as possible, and then it would move into emergency planning and organisational response. Actions taken would be dependent on the different types of threat but there would be a quick escalation into existing emergency processes.

Members queried whether there was a communication function aligned with the emergency response so that colleagues and councillors were aware of the issues. Members appreciated that ICT would be busy resolving the issues but had in the past found communications a bit lacking. In response the officer stated that he would take that back and feed the response back to the Chairman.

In response to a further question regarding 'ethical hackers', the officer stated that yes, Wiltshire Council did deploy both internal and external vulnerability scanning at least once a year and this was required as part of the Cyber Essentials Plus certification. It was,

**Resolved:**

**To note the update.**

## 25 **School Governance**

The Chairman invited Lesley Lowe (Co-Head of Service, School Effectiveness (Interim)) and Amanda Cripps (Governor Development Lead) to give a presentation on School Governance. The presentation was published in agenda supplement 1 and would be taken as read. Points highlighted by the officers included the following.

The core principals for School Governance were defined as:

1. Ensuring clarity of vision, ethos and strategic direction;

2. Holding executive leaders to account for the educational performance of the organisation and its pupils, and the effective and efficient performance management of staff;
3. Overseeing the financial performance of the organisation and making sure its money is well spent.

It was hoped that governors would understand the strategic nature of the role rather than concentrating on operational matters. The statutory duties of governing bodies were listed on page 14 of agenda supplement 1. Amanda Cripps was working hard to link school governance to the Council's business plan.

The different types of schools were detailed and the Council's role in relation to them. For maintained schools (Community Schools and Voluntary Controlled Schools) of which there were 123 in total, the Local Authority was accountable for performance.

All maintained schools were required to have a Local Authority Governor, who were nominated by the Local Authority and appointed by the Governing Body. 63 of the 123 maintained schools currently had a vacancy for a Local Authority Governor. It was hoped that this could be increased upon as this was a very important role and part of the authority's duty.

School Governor Services was a traded service provided to maintained schools and available to subscribing academies. The core offer was being developed and improved.

A debate followed where Members discussed concerns regarding governor training, in particular for Multi Academy Trusts (MATs). The officer agreed that this was an issue, for maintained schools we had good oversight but for non-maintained schools, in particular the MATs it could be hard to get the relevant data. There was various work underway to try to improve links and ensure that all schools had good governance and governors had the required training.

The high number of LA Governor vacancies was also discussed, with officers explaining how difficult it was to recruit, it was hoped that Councillors could promote the role. Members suggested a briefing note could be produced and sent to all Members highlighting the role, its importance and the number of vacancies in order to try and help drive recruitment.

Members also highlighted the potential to grow the School Governor Service and governor training as an income stream. Officers confirmed that this was already a traded service and that lots of work had been undertaken to build strong foundations and develop a good training package. Further work was planned to possibly expand the service out of county and possibly go into Early Years training as well. It was,

**Resolved:**

**To note the presentation on School Governance.**



## 26 Re-tender of External Audit Contract

Lizzie Watkin (Assistant Director Finance and Deputy s151 Officer) presented a report on the re-tender of the external audit contract. The officer explained that this was before the Committee as they were responsible for governance and it was good practise to share the proposal that was going to Full Council.

The tender process allowed for three different options. For the Council to procure external audit services for itself, for the Council to set up a joint procurement with other councils, or for the Council to opt into the national arrangement for the procurement of external audit services through Public Sector Audit Appointments (PSAA). Considerations for the Council were detailed in appendix A. The Council was currently part of the PSAA arrangement and the recommendation was that the Council opt into that arrangement again.

Members debated the proposal, some felt we may be better procuring services for ourselves, and Members asked for the Cabinet Member and s151 officer's opinions. Cllr Pauline Church (Cabinet Member for Finance) highlighted the importance of a proper procurement process and stated that the report may be tweaked as she was not currently 100% satisfied with it. Andy Brown (Corporate Director Resources, Deputy Chief Executive and s151 Officer) reiterated that this was a decision for Full Council and stated that when you follow the framework arrangement you could be confident that legislation was followed, however you did lose an element of control. It was acknowledged that we had faced difficulties under the framework but whether the situation would be better if we procured external audit services ourselves was unknown. The external audit market was facing a lot of difficulties and problems, essentially there were just 4 big providers who had the expertise, technical knowledge and resources to undertake Local Authority audit and who offered contracts.

It was possible that a soft market test could be undertaken to gain understanding of the local market. Being realistic, the officer thought that it was unlikely that there was another firm other than one of the big four that could undertake the contract but accepted that evidence should be provided, and the soft market test would help to determine whether the PSAA arrangement was the best option to follow. Regarding the joint procurement option with other authorities, his discussions with other s151 officers had shown that there was no appetite for joint procurement.

Further debate followed where Members discussed the various options and their implications. It was,

### **Resolved:**

**To recommend the proposal within the report (page 81) to Full Council for approval.**

## 27 Forward Work Programme

Members discussed the Forward Work Programme (FWP) and highlighted that a large number of items were To Be Confirmed (TBC).

Officers explained that some items were dependent on Government white papers and updates which were awaited.

It was,

**Resolved:**

**To note the FWP and add any items which had been mentioned during the meeting.**

28 **Date of Next Meeting**

The next regular meeting of the Committee would be held on 9 February 2022.

29 **Urgent Items**

There were no urgent items.

(Duration of meeting: 10.00 am - 12.10 pm)

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