

Audit Committee

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 12 FEBRUARY 2020 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Richard Britton (Chairman), Cllr Stewart Dobson (Vice-Chairman),
Cllr Gavin Grant, Cllr Nick Holder, Cllr Edward Kirk, Cllr John Walsh and
Cllr Peter Evans (Substitute - Part II)

Also Present:

Cllr Simon Jacobs and Cllr Philip Whitehead

1 **Apologies**

Apologies were received from:

Cllr Andy Philips
Cllr Mike Hewitt
Cllr Pip Ridout
Cllr Stuart Wheeler who was substituted by Cllr Peter Evans

2 **Minutes of the Previous Meeting**

RESOLVED

The minutes of the meeting held on the 7 November 2019 were approved.

3 **Declarations of Interests**

There were no declarations of interest.

4 **Chairman's Announcements**

There were no Chairman's announcements.

5 **Public Participation**

No members of public were present.

6 **Update on the Accounts**

Ian Howse, Deloitte, informed the committee that the accounts were not yet signed off. A new system to record the values of fixed assets had been

implemented. This had changed the gross value and the depreciation of the assets by £50 million but had no change on the net values. More testing was being carried out to verify the changes and it was hoped that the accounts would be in a position to be signed off in the next couple of weeks. It was noted that neither the council tax or general fund out turn figures would be impacted and there is no net effect.

The committee noted that they were all happy with the current delegation for the Chairman in consultation with the S151 officer to sign off the accounts.

The Chairman thanked Ian for the update.

7 **External Audit Plan and Training - "The Anatomy of an External Audit"**

Ian Howse, Deloitte, presented the external audit plan and gave details of the 'anatomy of an external audit'.

It was noted that the elements of an external audit included:

- The first step was to create an audit plan which involved reviewing the previous audit plan, carrying out a risk assessment to identify the areas with: the most risk, which produced key financial data and where the most complex work was carried out and reviewing the Internal audit reports to identify any issues.
- Following the audit plan being agreed an interim audit is carried out which involved the checking and testing of controls, process designs and manual entries. Following the results of the interim audit the approach of the full audit may be adjusted.
- Once the accounts were published a full audit would take place.
- Following the full audit a final report would be presented to the Audit Committee and depending on whether any issues were identified, the accounts would be signed off.

The key points of the external audit plan included:

- The key risks identified were: property valuation, completeness of accrued expenditure, valuation of the council's share of the Wiltshire pension fund net liability and management override of controls. No risks had been identified in relation to the Value for Money assessment. Any additional significant risks would be reported to the Audit Committee.
- The three key areas within the scope of the audit were: Financial Statements, Annual Governance Statement and the Value for Money conclusion. The approach to audit these areas would be to liaise with internal audit, obtain an understanding of controls relevant to the audit by evaluating the design of the controls and determining whether they had been implemented and high quality and simplified reporting.
- Materiality was explained noting that it had been set at £17m.

In response to questions asked it was noted that:

- The auditing of the reserves was included within the Value for Money and medium term financial strategy. The auditors role was not to say what level the reserves should be. The National Audit Office was currently carrying out a consultation on the work involved with the Value for Money assessment and it was expected that auditors would have to do more work assessing the reserves.
- Materiality was set at 1.7% which was a calculation based on expenditure.
- Procurement was audited while examining major expenditure.
- External auditing aimed to identify discrepancies in accounts and did not aim to discover fraud, internal audit carried out more work in that area.
- Deloitte had considered coronavirus and currently had a team working on business continuity processes. Procedures had been put in place to restrict travel. They did not expect to be impacted by the virus.
- There was a lack of strong purchase order control in place, the relevant officers understood the need to improve the system.

8 **Q3 IA Report**

Charlotte Wilson, SWAP, introduced the report noting that a high risk level and no assurance opinion had been given to gross loans due to a lack of compliance. Five recommendations had been made and were in the process of being implemented by the end of the financial year. Management had provided an update noting that a new system had been implemented and there had been changes in personnel. Work was taking place to ensure that the process was robust, documented and up to date. A further internal audit would take place in the first quarter of 20/21.

Deferred payments had been given a partial assurance opinion, recommendations were made to improve the reporting arrangements and oversight, it was also suggested that the procedural guidance be updated.

In response to questions asked it was noted that:

- The draft audit plan would be available at the next audit committee.
- Changes to the IA plan would be brought to the committee meeting.
- There had been some resource issues which had caused the audit projects to run later than expected, more resources were being brought in to help. Some of the projects would run into the next financial year and SWAP would review their priorities.
- The review of partnership governance had been split into two parts. The first part to identify all partnerships had been carried out by the council and the second part to review the governance arrangements would be carried out by SWAP.

- SWAP would be reviewing the outstanding recommendations as many of them may have been superseded and SWAP recognised that having outstanding recommendations from October 2018 was unacceptable.
- The process of limiting the reporting of outstanding recommendations to 120 was questioned, it was decided that a meeting would take place outside of the committee to review the best reporting process going forward.
- Work had been ongoing since summer 2019 to bring reconciliations up to date and the project was making good progress and due to be completed mid February. Invoices would also be on track to go out on time within the next five weeks.

The Chairman thanked SWAP for their update.

9 **SWAP - Public Sector Internal Audit Standards Assessment**

David Hill, SWAP, introduced the report noting that there was a requirement to undertake the assessment every five years. SWAP had opted to undertake the assessment every three years. The assessment included with the agenda was a self-assessment which had identified some areas for improvement. External assessors had also carried out an assessment looking at what could be improved and the full report would be brought to the next meeting.

10 **Service Area Risk Presentation**

Peter Binley, Head of Highways Asset Management & Commissioning, introduced the item and gave an overview of the service area, their responsibilities and the high risk environment they work in.

The service area relied on external suppliers to carry out work, as such, risk was managed in a number of ways; by getting good suppliers, having a partnership approach and having joint and corporate mitigation plans in place. Part of the contractual system was for suppliers to inform the council on how they managed risks. They were also encouraged to work with the council to jointly manage shared risks. Suppliers had their own risk registers regarding issues which were not relevant to the council. The council and suppliers would agree which risks were shared and which were separately owned. The officer noted that there was a need for trust and openness in order for the service to operate effectively with regular meetings to identify and communicate risks and develop mitigation plans.

In response to questions, it was noted that some risks were extremely high and although mitigation plans were in place these still remained red risks.

11 **Governance Action Log Update**

David Bowater, Senior Corporate Support Manager, introduced the report which provided a update on the current status of improvement actions identified in the Annual Governance Statement for 2019.

The audit committee would have oversight over the principles outlined within the report via the internal audit plan and as part of the Annual Governance statement. It was noted that within principal B – Review the Wiltshire Compact and role of Wiltshire Assembly, a refresh of the national compact was taking place although it was not known when this would take place. For this reason the VCSE strategy would be launched regardless.

The Chairman welcomed the report noting the good progress being made and thanked the officer.

12 **Finance Director Appointment Update**

Cllr Simon Jacobs, Cabinet Member for Finance and Procurement, confirmed the committee that the new finance director would start on 1 March 2020. The current interim director would remain in post for an additional month to oversee specific projects.

The committee took the opportunity to thank Deborah Hindson, Interim Director for Finance, for her work.

13 **Forward Work Programme**

The forward work plan was noted.

14 **Urgent Items**

There were no urgent items.

15 **Date of Next Meeting**

The date of the next meeting was noted.

16 **Exclusions of the Public**

RESOLVED

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Number 19 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 7 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

Reason for restricting the item:

Paragraph 14.4.7 of Part 5 of the Constitution: *Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.*

This item is in Part 2 of the Agenda because the audit concerns matters that relate to a potential prosecution and in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information at this stage.

17 **Part II**

The following items were discussed in private.

18 **SWAP Audit - Court of Protection**

Ian Gibbons, Director Legal, Electoral and Registration, informed the committee that the item was being held in part II due to a potential prosecution and in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information at this stage.

(Duration of meeting: 10.00 am - 12.05 pm)

The Officer who has produced these minutes is Jessica Croman of Democratic Services, direct line 01225 718262, e-mail jessica.croman@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115