

Audit and Governance Committee

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 7 FEBRUARY 2024 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 Pip Ridout, Cllr Mike Sankey, Cllr Martin Smith and Cllr Howard Greenman

Also Present:

Cllr Nick Botterill

1 **Apologies**

An apology for absence was received from Cllr Antonio Piazza.

2 **Minutes of the Previous Meeting**

The minutes of the meeting held on 22 November 2023 were presented for consideration, and it was,

Resolved:

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

3 **Declarations of Interests**

There were no declarations.

4 **Chairman's Announcements**

It was announced that following an advertisement three applications had been received for the role of co-opted member of the Audit and Governance Committee. Interviews would be scheduled shortly to make an appointment.

5 **Public Participation**

There were no public statements or questions submitted.

6 **Statement of Accounts 2019/20**

Ian Howse, Lead Audit Partner (Deloitte), presented a report on the audit of the Statement of Accounts 2019/20, work which had been ongoing since August 2020. This had concluded with a disclaimer of opinion that they believed they had been unable to obtain sufficient appropriate audit evidence to provide a

basis for an audit opinion on the accounts. The key messages of the report were summarised, including remaining areas where weaknesses in control had been identified and their impact, remaining unadjusted misstatements regarding net assets, and perceived disclosure deficiencies.

It was stated that the adverse conclusions listed in the report related to the arrangements for producing financial statements and were not an assessment of financial indicators. Mr Howse explained it was intended to use statutory powers to make written recommendations to address control weaknesses, which would need to be considered by Full Council. He added it was likely that the remaining Statements of Accounts would also have some form of qualified or disclaimed opinion.

Lizzie Watkin, Director of Finance & Procurement (Section 151 Officer), responded by noting the previous reporting to the Committee on the issue of the statements of accounts. She explained the council had worked with the auditors to address the identified issues, with most actions already undertaken in preparation for the 2020/21 accounts. Further, that although there remained some unadjusted figures in the accounts which needed to be signed off by the Committee, it was not considered that these were material. The Committee was also asked to approve two letters of representation which had been drafted as responses to the auditor.

It was also stated that whilst understanding the auditor's action, the council's management was of the view that the assessment of value for money was not pervasive, and that as almost all actions had been taken forward for more recent accounts, the statutory recommendation on such historical accounts was therefore not an indication of current concerns.

The Committee then discussed the reports and updates, including questions to officers and the external auditor.

A query was raised regarding on the proposed representation letter relating to Pensions. It was confirmed that the accounts for the Pension Fund had been audited and assurance could be given for those. Details were sought regarding the overstatement of £10m referred to within the key messages of the report, and the financial situation of the Stone Circle company.

It was clarified that the financial statements were regarding the representation of the financial accounts and how adjustments were made. There were significant issues nationally with local government account auditing due in part due to applying valuation methods for assets which did not translate well to the kind of assets held by councils as compared to private sector holders. In relation to Stone Circle, the council owned company did not exist in 2019/20, so it was stated that although the council was keeping an eye on its financial situation, this had no bearing on the auditor's opinion.

Mr Howse confirmed the reference to £10m of asset value overstatement was not comparable to issues of some councils experiencing cash shortfalls or difficulties. Although agreeing the concerns expressed in the report did not

relate to budget management and the accounts had been from a time before the current financial leadership team at the council was in place, he disagreed with the criticisms of the state of local government audits nationally, stating that Deloitte did not issue disclaimers of opinion often, and that more corrections had been issued in this case than his technical department had ever seen. Andy Brown, Deputy Chief Executive, emphasised that there was no criticism of the quality of the audit, but that with over 800 outstanding accounts nationally this was an indication that the present system was not functioning properly.

The Committee discussed what the next steps would be for future pending accounts, if the 2019/20 accounts were signed off following the disclaimer of opinion. It was stated that the government would be setting out details of how outstanding accounts would be approved, with a consultation shortly to begin, but one possibility was the next three years of accounts would also have disclaimer opinions.

There was discussion of specific issues within the reports where there were different assessments from the auditors and the council on the severity of the issue, such as journal access rights for finance employees. Mitigation of risk and appropriate evidence and controls over journal processes were raised.

It was also noted that the council had moved to a new Enterprise Resource Planning system, Oracle, and that this included additional controls inherent as part of the process for the 2024/25 accounts.

Other issues discussed included the sufficiency and training of staff, cost of external support, asset valuation being required even for assets that would not ever be sold such as roads and bridges, and the likely disclaimer of future accounts.

At the conclusion of debate and on the motion of Cllr Iain Wallis, seconded by Cllr Pip Ridout, it was then,

Resolved:

- 1) To accept the ISA260 report from the External Auditor, noting:
 - a) the auditor's 'disclaimer of opinion';**
 - b) the adverse conclusion on the council's arrangements for VFM and officers' response to this conclusion; and**
 - c) the Statutory Recommendation under section 24 of the Local Audit and Accountability Act;****
- 2) To approve the response to the s24 Statutory Recommendation from the External Auditor and in line with the act request that Full Council note the response;**
- 3) To approve, the following items:**

- a) **The Letters of Representation for the Statement of Accounts 2019/20;
and**
 - b) **The final Statement of Accounts 2019/20.**
- 4) **To ratify that no amendments are required to the Annual Governance Statement for 2019/20.**

7 **Internal Audit Update Report**

Sally White, SWAP, introduced the Internal Audit update report, which was the third update report for the 2023/24 financial year, including reporting of ongoing significant corporate risks.

The Committee discussed the report. Details were sought in relation to Wiltshire Pension Fund outstanding actions, and whether a number of comments regarding being unable to obtain supporting evidence for progress on a number of actions had been the result of staff shortages.

Further in discussion in response to queries assurance was offered that plans were in place for introduction of new internal audit standards.

At the conclusion of discussion, it was,

Resolved:

To note the Internal Audit Update provided by SWAP.

8 **Corporate Procurement Card Audit Service Update**

A presentation was received from Lizzie Watkin, Director of Finance & Procurement, regarding a pro-active fraud audit as part of Anti-Fraud, Bribery and Corruption Policy prevention activity.

Key findings of the audit were detailed as set out in the agenda, along with actions to address any issues identified through the audit, including changes that would be implemented as part of the transfer to the new Oracle system. Details were sought on the expanded observations and controls that the system would enable.

At the end of discussion, it was,

Resolved:

To note the update received.

9 **Governance Update on Annual Governance Statement 2022/23 Actions**

Perry Holmes, Director of Legal & Governance, presented the update on actions relating to the Annual Governance Statement.

The Committee discussed the report and related issues. Changes to the Procurement Act to include naming and reporting on contractors with poor performance was raised, with it stated thresholds to include a company on such a public register would be high.

Reassurance was also sought on training to be provided to staff on contract management, and whether this would include anyone responsible for management a contract.

At the conclusion of discussion, it was,

Resolved:

To note the current status of improvement actions identified in the Annual Governance Statement as set out at Appendix 1.

10 **Risk Management**

Perry Holmes, Director of Legal & Governance, presented a report on the council's risk management processes, request feedback on the draft updated risk policy, and provide updates on risk categories and appetites. He stated the Local Government Association had responded positively to risk management at the council, and provided details of updates proposed as set out within the report.

Members sought details on the types of risks included within the policies, how these would monitored, and how the council would respond to emerging risks.

It was clarified that a standardisation of the process was underway which included officers being trained on mitigating emerging risks, which coupled with "horizon scanning" was considered the best approach to managing future risks.

At the conclusion of discussion, it was,

Resolved:

To note the developments taking place to improve the council's risk management process.

11 **Housing Revenue Account (HRA) Landlord Compliant Report**

James Barraah, Director of Assets, presented the report providing details on the compliance associated with the council's role as Landlord in the provision of social housing. It was explained this had been reviewed in 2023 covering all elements governing the delivery of compliance activity in respect of policy, procedures, performance, internal and external assurance. Key details were set out further within the report.

In discussion the Committee welcomed the report as comprehensive and reassuring. Further information was sought in relation to smoke alarm testing,

with it stated that although it was not a legal requirement to do so, the council tested these annually. Details were provided on the testing process, and efforts to reduce risk through reliance on batteries.

Members also questioned how sudden changes in property standards and legislation would be dealt with within regulated time periods and cycles. It was stated that coupled with horizon scanning, there was a reliance on flexibility with contractors in order to deliver changes, however relationships with contractors were described as extremely positive relating to this.

At the conclusion of debate, it was then,

Resolved:

To note the report and the progress reported.

12 **Forward Work Programme**

It was,

Resolved:

To note the Forward Work Programme.

13 **Date of Next Meeting**

The date of the next meeting was confirmed as 23 April 2024.

14 **Urgent Items**

There were no urgent items.

(Duration of meeting: 2.30 - 4.55 pm)

The Officer who has produced these minutes is Max Hirst of Democratic Services, e-mail committee@wiltshire.gov.uk

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