

Audit and Governance Committee

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ONLINE ON 10 FEBRUARY 2021.

Present:

Cllr Richard Britton (Chairman), Cllr Stewart Dobson (Vice-Chairman), Cllr Gavin Grant, Cllr Nick Holder, Cllr Edward Kirk, Cllr Pip Ridout, Cllr John Walsh and Cllr Stuart Wheeler

Also Present:

Cllr Pauline Church.

67 **Apologies**

Apologies were received from:

Cllr Mike Hewitt and Cllr Ian Thorn.

68 **Minutes of the Previous Meeting**

The minutes of the meeting held on 18 November 2020 were presented for consideration and it was,

Resolved:

To confirm the minutes of the meeting held on 18 November 2020 as a correct record.

69 **Declarations of Interests**

The Chairman declared a non-pecuniary interest, stating that he was a Director at SWAP.

70 **Chairman's Announcements**

The Chairman announced that the Members annual meeting with SWAP would take place on the rising of the Audit and Governance Committee. Cllr Grant gave his apologies for that meeting.

71 **Public Participation**

No public questions or statements were received.

72 Update on Statement of Accounts 2019/20

Andy Brown, Interim Corporate Director of Resources (S151 Officer) gave an update to the committee on the 2019/20 accounts.

The officer stated that the statement of accounts 2019/20 had been due to be presented for approval at the meeting. However, it was explained that the statement of accounts 2019/20 were not ready to be brought before the committee. This was due to the outstanding resolution and qualification issues from the 2018/19 accounts, the limited technical capacity and experience of resources within the council at the time and the difficulties in progressing the audit process remotely, combined with outstanding audit queries on the accounts.

Resolving the situation was a priority and more resources had been allocated. Weekly meetings were taking place with Deloitte, the external auditors, and an iterative process was being used to work through outstanding queries. Small errors and misstatements had also been identified in the draft statement of accounts 2019/20 and these were being worked through in order to correct them. It was hoped that the statement of accounts 2019/20 could be brought to the April meeting of the Audit and Governance Committee for approval.

Plans and work for removing the qualification issues from the statement of accounts 2018/19 and on the statement of accounts 2020/21 were also underway, however it was noted that as a result of the Redmond Review there may be changes to the timelines involved for the statement of accounts 2020/21.

Ian Howse, Deloitte stated that he was encouraged by the additional resources, in particular the appointment of a new Chief Accountant. Mr Howse gave assurance that Deloitte would work collaboratively with Wiltshire Council to progress the accounts properly and in a timely manner and that Deloitte had adequate resources to achieve this.

Cllr Pauline Church, Cabinet Member for Finance, Procurement and Commercial Investment, welcomed the new officers; David Baldam, Strategic Finance Accountant and Vicky Ody, Chief Accountant to the team. Cllr Church stated she was encouraged by the diligence being undertaken to produce a robust set of accounts and the focus on correcting small errors, it was also stated that Cllr Church would continue to hold the s151 officer and Deloitte to account.

Other councillors also welcomed to the new officers, particularly as the Audit and Governance Committee had previously expressed concerns over a lack of resources, so this was recognised as a positive step forward. In response to questions, assurance was given regarding the retrospective issues of the 2018/19 accounts, which should involve no further material issues that would cause further qualification.

Resolved:

To note the position of the accounts and audit process for the Statement of Accounts 2019/20.

73 **Grant Certification Report 2019/20**

Lizzie Watkin, Head of Corporate Finance and Deputy s151, presented the grant certification report from KPMG relating to teachers' pensions 2019/2020 as seen at pages 27-40 of the agenda.

There were no significant items to note in the report, therefore it was requested that the committee note the process was complete and note the audit report issued.

It was,

Resolved:

To note the conclusion of the audit of the Teachers' Pension Contributions for 2019/20 and audit report issued.

74 **Q3 Internal Audit Report 2020/21**

David Hill, SWAP presented the Q3 internal audit report 2020/21 to the meeting.

Mr Hill noted that there had been an impact on delivery due to COVID-19 challenges and that four members of his team had been redeployed to Wiltshire Council in order to support payment of COVID-19 business grants. However, new initiatives such as agile working and data analytics had been undertaken in order to mitigate the challenges and there had been positive feedback on the one page report.

Continuous auditing had been introduced and these would be used to liaise with external auditors and the s151 and deputy.

All priority 1 actions had been implemented. There were still some outstanding priority 2 actions but significant progress has been made.

Page 46 of the agenda explained changes to the audit plan as a result of COVID. Appendix B detailed progress to date. Some minor updates to the table were highlighted. There were no errors of high corporate risk or significance.

Regarding the annual head of internal audit opinion, CIPFA had produced some guidance to deal with the challenging times. Other assurance providers both internal and external would be mapped and used to inform the annual internal audit opinion.

Members queried how Wiltshire Council staff working from home had impacted on projects and Mr Hill explained that remote working was driving efficiencies

and actually made collaborative working easier. In response to questions it was explained that the Internal Audit Plan was constantly updated and any risks to Wiltshire Council and therefore the Internal Audit Plan due to COVID-19 were mitigated by constant collaborative working to ensure that key risks were mapped back to the correct risk areas for the Council.

Councillors raised questions regarding overdue actions and how these were dealt with. Mr Hill stated that there was every ambition to make sure actions were implemented; terminology had been changed to agreed management actions rather than recommendations and follow up processes and procedures were in place, but it was up to management to carry out the actions. It was explained that further details would be given under the next agenda item.

The Chairman stated that as this item was linked to the next agenda item 9, Outstanding Audit Recommendations, that the committee would hear that item before noting this item.

After hearing agenda item 9, it was,

Resolved:

To note the Q3 Internal Audit Report 2020/21.

75 **Internal Audit Outstanding Recommendations Report**

The Chairman stated that at the last committee meeting the committee had expressed concerns regarding unimplemented Internal Audit Recommendations and had requested that the list of outstanding recommendations be reviewed and a report on this provided to the committee.

Andy Brown, Interim Corporate Director of Resources (S151 Officer), gave an update to the meeting. It was explained that some of the outstanding recommendations dated to before the pandemic, which was still ongoing and so the list of outstanding recommendations had required review. Internal Audit Management Actions were an integral part of the Councils control systems and part of a suite of management tools that should be used.

Paragraph 6 on page 75 of the agenda gave a summary of outstanding actions and categorised them. 20 had been completed, 25 were still to be implemented and were at the same priority level, 3 had increased in priority and 16 had been overtaken by organisation change. So, these would more than likely still be implemented but under different pathways. The detailed review could be seen in the appendix on page 78.

It was explained that the majority of outstanding actions were priority 3, however these still needed to be acted upon. Recommendations and timescales were still valid. The Audit and Governance Committee should still have oversight of overall totals to ensure management were still delivering. However, going forward, now that the cleanse had been undertaken, the focus should be on priority 1 & 2 actions, but with an oversight on priority 3 actions.

In response to questions it was stated that there may be differences between appendix C from SWAP (page 53) and then appendix 1 (page 78) as the Q3 report from SWAP was looking backwards. Now that the review had taken place, the updated list could be circulated to SWAP and a consolidated list developed that both SWAP and Wiltshire Council were happy with.

SWAP confirmed that they had reviewed the list and were happy with it, therefore they could update their systems and produce an updated list. The Chairman requested that they pay particular attention to any actions coming off the list when the report was produced to ensure SWAP were happy.

During debate councillors queried the exact meaning of 'overtaken by organisational change'. Some particular examples were detailed that Members were concerned about and in particular the accountability for these actions and who was responsible for them. It was explained that actions which had been overtaken by organisation change and that were now under organisational recovery, were part of the Organisational Recovery Programme for which Andy Brown and Jo Pitt (Director - HR & Organisational Development) were responsible. Some actions which had been overtaken by organisational change were now under the Corporate Leadership Team, acting as the Programme Board.

In response to the debate on the item, the proposed recommendations were adapted by the committee and it was,

Resolved:

- **To accept the update on the review of outstanding internal audit recommendations.**
- **That management and SWAP should produce a consolidated and agreed list between them, of remaining Internal Audit management recommendations, with target date and accountability, which should include priority 3 recommendations.**
- **Going forward, to concentrate on priority 1 and 2 Internal Audit management recommendations and have a separate report for priority 3 at a global level.**
- **To ask SWAP to confirm to that they were satisfied that the abandoned or completed actions had been removed for appropriate reasons.**
- **That no recommendation would be removed from the list without being reported to the Audit and Governance Committee.**

76 **Corporate Governance Update**

Ian Gibbons, Director Legal and Governance gave an update to the committee and presented the report at page 103 of the agenda.

Mr Gibbons highlighted the Corporate Governance Group, an officer led group he chaired which had been established to steer the development of good

corporate governance at the council. The terms of reference for the group could be found in the report.

A report on outstanding AGS improvement actions could be seen at page 107 of the agenda.

During debate the Chairman stated that the Audit and Governance Committee had governance responsibilities in its Terms of Reference, therefore requested clarification on the other committees that had a role in governance (paragraph 5 page 104). The officer explained that corporate governance was broad ranging, for example the Standards Committee had oversight of code of conduct complaints, Overview and Scrutiny held the Executive to account and the Constitution Focus Group were responsible for ensuring that the constitution was up to date. However, the Audit and Governance Committee had an overarching view and oversight of the council's governance.

Further comments from councillors included that there was regret Ian Gibbons was retiring and best wishes for his future; that acronyms be kept to a minimum in reports and that it would be good if the distinct and discrete elements of governance could be detailed further in writing. The officer agreed and suggested that the protocol in the constitution relating to Corporate Governance that could be revisited, revised and reported back to the committee.

At the end of the debate it was;

Resolved:

- **To note the current status of improvement actions identified in Annual Governance Statement, as set out at Appendix 1 (pages 107 – 110).**
- **To ask the monitoring officer to undertake a review of governance reporting arrangements in the constitution and report back to Audit & Governance Committee.**

77 **Risk Management Review**

The Chairman sought assurance that Internal Audit resources were being properly assigned to corporate risk and service area risk. It was hoped that projects within the Internal Audit could be tied up with risks that the projects related to.

Toby Eliot, Corporate Support Manager explained that Internal Audit have access to the risk register as it is published, however there was the possibility for more linkage and the officer would be happy to liaise to bring this about. However, the situation was more complicated at the moment due to the pandemic.

Mr Hill from SWAP stated that Internal Audit actions were on the corporate risk register and audit work should be directed at key corporate risks. SWAP were

happy to meet with risk management to increase linkage and map assurances and mitigations, and could bring an update to the next committee.

Mr Eliot stated he was keen to have a full risk process running right through the organisation.

78 **The Redmond Review**

Lizzie Watkin gave a presentation on the Redmond Review.

The officer explained that the Redmond Review was an independent review undertaken by Sir Tony Redmond which considered the quality of local authority financial reporting and external audit.

The slides used for the presentation are appended to the minutes.

Key points stated:

- The statutory deadline to sign off statement of accounts had been extended from 31 July to 30 September. Therefore, an additional Audit and Governance Committee would need to be held in September in order to sign off the statement of accounts 2020/21.
- There was an anticipated increase in fees, for which central government would be providing some funding, however it was unclear how the funds would be split between the sector therefore Wiltshire Council had put aside some funds towards this.
- Auditors should provide an annual high-level performance report to Full Council.
- Statements of accounts should be standardised and simplified.
- The possibility of appointing suitably qualified independent persons to Audit Committees and how that could be managed.

After some discussion from Councillors it was agreed that the possibility of co-opting a suitably qualified person to the Audit and Governance Committee would be added to the Forward Work Programme.

79 **Forward Work Programme**

The Forward Work Programme (page 111) was presented for consideration and it was,

Resolved:

To note the forward work programme.

80 **Date of Next Meeting**

The next meeting of the Audit and Governance Committee would be held on 28 April 2021.

81 **Urgent Items**

(Duration of meeting: 10.00 am - 12.30 pm)

The Officer who has produced these minutes is Tara Shannon of Democratic Services, direct line 01225 718352, e-mail tara.shannon@wiltshire.gov.uk

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

Redmond Review – Update

Audit and Governance Committee
10 February 2021

Andy Brown – Interim Corporate Director of Resources (s151)
Lizzie Watkin – Head of Corporate Finance

Background

- Independent review undertaken by Sir Tony Redmond
- Considered the quality of local authority financial reporting and external audit
- Call for views (consultation) issued 17 September 2019
- Direct or indirect interest in local authority audit and financial reporting
- Invited views, information and evidence
- Consultation ended on 20 December 2019
- Sir Tony Redmond's conclusions and recommendations were published in September 2020

Redmond Review Recommendations

- Conclusions and recommendations can be split into 3 main areas that cover:
 - Audit Performance
 - Governance
 - Financial Reporting
- Recommendations made to government
- In part require regulatory or legislative change
- Urgent attention required given the scale and breadth of current concerns about local audit

Redmond Review Recommendations

- **Audit Performance**
 - VFM work and benefit and timing
 - Fees and variations - fees 25-30% too low
 - Quality - limited resource, condensed period
 - Oversight and regulation
- New Single Body – manage, oversee and regulate
- Review eligibility for entrants into the market, fee structure, training requirements, requirement to meet inspectorates
- Extended deadline to September

Redmond Review Recommendations

- **Governance**
 - Capacity and understanding
 - Low/lack of reliance on Internal Audit
 - Lack of clarity/transparency of audit accountability
- Annual report submitted to Full Council
- Appointment of independent, suitably qualified member to committee
- Formalise liaison with statutory officers
- Information sharing with Inspectorates
- Skills and training

Redmond Review Recommendations

- **Financial Reporting**
 - Impenetrable
 - Technical accounting areas (property & pension valuations)
 - Narrative Report variations across Local Government
- New standardised and simplified statement

Government Response

- MHCLG published initial response on 17 December
- Grouped into 5 themes:
 - action to support immediate market stability
 - consideration of system leadership options
 - enhancing the functioning of local audit, and the governance for responding to its findings
 - improving transparency of local authorities' accounts to the public
 - action to further consider the functioning of local audit for smaller bodies

[Local authority financial reporting and external audit: government response to the independent review - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

Government Response

- **Market stability**
 - Review and reform of regulations
 - Likely increase in fees - £15m will be made available
 - Deadlines likely to change for 2 year period (to September)
 - CIPFA, ICAEW to support market
- **System Leadership**
 - Explore options for new system leadership
 - Full response expected in spring 2021

Government Response

- **Enhancing the functioning of local audit, and the governance for responding to its findings**
 - Agree with annual report to Full Council
 - Agree with auditors meeting statutory officers
 - Agree with appointment of independent member(s) to Audit Committees
 - Agree with the sharing of information with Inspectorates
- **Improving transparency of local authorities' accounts to the public**
 - Explore single standardised statement of service costs
 - Explore options for simplification of accounts
- **Action to further consider the functioning of local audit for smaller bodies not applicable to Wiltshire Council**

Considerations

- Likely extension in audit deadline
- Likely report to Full Council annually by auditors
- Increase in audit fees likely – £50k built into MTFS
- Additional simplified statement likely to be published alongside Council Tax Bills in future years
- Consideration of appointment of independent, suitably qualified Audit & Governance Committee member and whether remuneration is required for such a role