

Audit Committee

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 25 SEPTEMBER 2020 AT ONLINE MEETING.

Present:

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

Also Present:

Lauren Parsons, Ian Howse, Ian Gibbons, David Hill, Jessica Croman, Andy Brown, Lizzie Watkin and Cllr Pauline Church

34 **Apologies**

Apologies were received from Cllr Ian Thorn.

35 **Minutes of the Previous Meeting**

RESOLVED

The minutes of the meeting held on the 22 July 2020 were approved as a correct record.

36 **Declarations of Interests**

The Chairman declared an interest noting that he was a Director at SWAP.

37 **Chairman's Announcements**

A recruitment exercise was undertaken to fill the Chief Accountant position although no successful candidate had been identified. The position was back out for recruitment.

The Chairman announced that items 9 and 10 would be considered first on the agenda.

38 **Public Participation**

No questions or statements were received.

39 **2018/19 Accounts Update Report**

The Chairman introduced the item and invited Andy Brown, Interim Corporate Director of Resources, to give an update.

Andy Brown explained that, since the initial issue of the presentation of fixed assets was identified, it was thought that the process would be straight forward to resolve. Since then it became apparent that the issues were more complicated and required more work to resolve.

Actions taken to resolve the issues included implementing a new asset accounting system to ensure compliance, the system was used to reevaluate all Wiltshire assets to ensure the correct valuation values and accumulated depreciation were corrected. Following this work, the presentation of the Comprehensive Income and Expenditure Statement had changed, albeit with no change to the net, bottom line figures, and the two non-usable reserve notes, the Revaluation Reserve and the Capital Adjustment Account were also restated. More work had been carried out to provide evidence to support assurance on the opening balance of the reserves, although, the time frame had now passed with not enough evidence provided to satisfy the auditors.

Following this a decision was taken to recommend to the Audit Committee that the accounts be signed off to allow the 2019/20 accounts and audit process to be concluded within the statutory deadline, accepting the auditors opinion and removing the relevant technical areas from the scope of the audit opinion. This would enable officers time to plan properly to resolve the issues for 2020/21.

This would result in an audit opinion of 'qualified, except for' which meant that, except for the matters detailed in the audit report relating to the balances on the two technical reserves, the accounts would present a true and fair view.

Andy Brown explained that the impact for the Statement of Accounts was very limited, there would be no impact on the net financial position of the council, General Fund Reserve, council tax payer nor for the resources available for delivery services and it would not affect any decision for financial planning purposes.

Previously the audit committee had approved that the final sign off was delegated to the Director of Finance and Procurement (S.151 Officer) in consultation with the Chairman of the Audit Committee, once agreement had been finalised with Deloitte. Given the significance of the outcome it felt appropriate for the 2018/19 accounts to be presented in full at the next audit committee.

Ian Howse, Deloitte, reiterated that the issues related only to technical issues, they would not impact tax payers and that it would not impact Wiltshire Council's ability to function.

Lizzie Watkin, Head of Corporate Finance, explained the technical process of why the issues would not affect the council's bottom line.

In response to questions it was noted that a press statement had been published publically; officers believed central government would not be taking too much interest in the issues unless they were significant; there would be additional fees due to the amount of work involved in resolving the issues and they would be reported to a future meeting and that although additional costs had been incurred in purchasing new software, the systems needed to be upgraded to reflect the modern nature of the organisation.

Following which it was;

RESOLVED

Members approved the update on the progress of the 2018/19 audit.

It was agreed to receive the Statement of Accounts 2018/19 at the next audit committee in November, to enable the Committee to provide the formal and final sign off on the 2018/19 accounts.

40 **Accounting Policies 19/20**

Lizzie Watkin introduced the report which outlined the accounting policies, which were used to produce the draft statement of accounts for 2019/20. It was noted that there had not been any significant changes to the accounting regulations for the year 2019/20 and therefore the accounting policies had no changes from the previous year.

Ian Howse reiterated that there had not been any changes and did not foresee any issues within the audit scope. It was noted that next year there were likely to be some changes which could be complex. He also explained that there was a good opportunity for CIPFA to review and simplify the accounting process.

A question was asked about a government planning white paper and whether it could impact CIL payments, section 106 payments and budgeting. Andy Brown confirmed that it could have an impact although it was not clear what exactly the proposed changes were.

In response to a question on reviewing the accounting policies, it was noted that they would be audited and reviewed annually. There was mention within the Redman review to extend the deadline of the statement of accounts to be more in line with a September deadline, although officers were monitoring the situation and recommended that the accounting policies return to the audit committee in April to be reviewed.

RESOLVED

The council's accounting policies for the financial year 2019/20 were approved.

41 **Q1 Internal Audit Report**

Charlotte Wilson, SWAP, introduced the Q1 internal audit report noting that the start of the programme of internal audit work was paused due to COVID-19 and internal audit staff were redeployed to areas of high need while maintaining a level of internal audit work. While SWAP would want to make up for lost time, this has been identified as unachievable. Following consultations with audit partnerships in the Audit Together Group a decision has been made that, as of the 30 June, one quarter of the years internal audit resources would have been utilised, leaving three quarters of the resources available for the rest of the year.

Follow up audits for direct payments and gross loans had been completed, almost three quarters of the recommendations made were still outstanding although good progress had been made.

The outstanding school recommendations remained high although due to school closures no updates had been received, now that school were getting back to normal requests for updates had been sent out.

There had been two amendments to the Q2 plan which now included grant certification and the scope of the brokerage audit being extended and split into two separate audits.

In response to a question asked about an outstanding school priority 1 recommendation it was noted that actions had taken place and that the risk level in that priority had significantly reduced.

It was explained that, to ensure recommendations were implemented in a timely manner, a process was being developed with Andy Brown, Interim Corporate Director of Resources, and Lizzie Watkin, Head of Corporate Finance. Andy also provided assurance that the Corporate Leadership Team were taking a keen interest in the audit recommendations and getting them implemented. Additionally an audit to look at the oversight of maintained schools would take place in Q3.

A question was asked on whether the delay in implementing recommendations impacted their priority levels. In response it was noted that all of the outstanding recommendations had been reviewed, auditors were confident that enough actions had taken place in the high risk areas that their priority level had not been impacted.

RESOLVED

The report was noted.

42 Proposed Q3 Internal Audit Plan

Charlotte Wilson, SWAP, introduced the Q3 plan and explained the process used to identify changes in the plan.

Following which it was;

RESOLVED

The Q& IA plan was approved.

43 **SWAP - New Ways of Working**

David Hill, SWAP. gave a presentation on SWAP's new ways of working, key points of the presentation focused on:

- The Three Lines Model – The three lines of defence model, which had been in place for over 20 years, had been replaced by the three lines model. The model was designed for auditors to build relationships with management and that all parties worked together.
- New technology would be adopted to add value and enable auditors to provide continuous risk assessments and assurances.
- SWAP aimed to progress to maturity level 5 by next year and were in the process of analysing some new data analytics software. Two new data analysts had been appointed and were working to build a data library across the partnership, which would drive efficiency.
- SWAP were about to relaunch their data sharing protocol, purchased a new file secure transfer system, which would provide a secure portal to allow data sharing and provided a new diagrammatic lifecycle to inform users of how and who the data is used by and the lifecycle of the data.
- SWAP were implementing agile auditing to ensure audit results were communicated quickly.
- I one page reports would be introduced which would reduce the narrative, audits with no or partial assurance would include more narrative.
- SWAP were working with Power BI to create more dynamic reporting.

David provided assurance that although the auditors would be working closer with management, they would remain independent.

The Chairman thanked David for the presentation.

44 **Appointment to Constitution Focus Group**

The Chairman called for nominations for the appointment of a member to the Constitutional Focus Group.

RESOLVED

To appoint Cllr Richard Britton to the Constitutional Focus Group.

45 **Forward Work Programme**

RESOLVED

The forward work plan was noted.

46 **Date of Next Meeting**

The next meeting would take place on the 18 November 2020.

47 **Urgent Items**

There were no urgent items.

(Duration of meeting: 10.00 - 11.35 am)

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