

Wiltshire Council

Audit and Governance Committee

21 July 2022

Subject: Regulatory updates

Executive Summary

This report presents an update to the committee on some areas of governance regulation, including the Redmond Review, Local Enterprise Partnerships, and the national issue on audit sign-off of accounts.

Proposal(s)

To note the updates on the governance regulatory areas provided.

Reason for Proposal(s)

The Audit & Governance Committee need to be kept abreast of changes and updates to the regulatory environment, to ensure the governance and control environment of the council remain appropriate and robust and action is taken early to address changes that may be required.

Andy Brown

Corporate Director of Resources and Deputy Chief Executive (S.151 Officer)

Wiltshire Council

Audit and Governance Committee

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Subject: Regulatory updates

Purpose of Report

1. This report sets out updates to some areas of the regulatory environment, including the Redmond Review, Local Enterprise Partnerships, and the national issue on audit sign-off of accounts.

Relevance to the Council's Business Plan

2. Providing updates to the Audit and Governance committee on the regulatory environment ensures the committee need to be kept abreast of changes and updates that may affect the governance and control environment of the council, and allows the committee to ensure that the frameworks, policies and practices remain appropriate and robust and action is taken early to address changes that may be required.

Background

Redmond Review

3. The Redmond Review was an independent review undertaken by Sir Tony Redmond which was carried out in response to issues that were raised on the quality of local authority financial reporting and external audit. A call for views was issued in September 2019 inviting views, information and evidence from direct and indirect interested parties. Conclusions and recommendations were published in September 2020, and an initial government response to those recommendations in December 2020.
4. During the last year government have continued to consider the recommendations and have implemented elements of their response, such as the lengthening of the deadlines in the audit and publication of the statutory accounts, the need for increases in fees charged for the audit process to support the new and increasing requirements on external auditors, system leadership, and elements of the enhanced function of audit and governance.
5. More specifically an additional grant was provided to councils for the expected increase fees, with £15m provided nationally and Wiltshire Council's allocation being £76k. Deadlines for the audit and publication of the statutory accounts have been extended for the financial year 2021/22 to 30 November 2022 and reverts back to 30 September for the five years to 2027/28.
6. Further announcements were made at the end of May 2022 and government has confirmed plans to establish a new regulator, the Audit Reporting and

Governance Authority (ARGA) and a shadow system leader arrangement through the Financial Reporting Council will be in place from September 2022. Plans have also been announced to make audit committees compulsory for all councils and include a requirement for at least one independent member be appointed to that committee.

7. Work continues with stakeholders to refine proposals around the commitments from government and further updates will be provided to this committee as government make further announcements.

Local Enterprise Partnerships

8. Local Enterprise Partnerships (LEPs) are non-statutory bodies responsible for local economic development in England. Swindon and Wiltshire LEP is the LEP that manages this responsibility for the council. The council is the main accounting body for the grant funding provided by government for much of the activity approved and coordinated by SWLEP.
9. In 2021 a review of LEPs was undertaken by Cities and Local Growth Unit, reporting jointly to the Department for Business, Energy and Industrial Strategy (BEIS) and Department for Levelling Up, Housing and Communities (DLUHC). This followed the curtailment of LEPs role in allocating funding and the set up of the Levelling Up Fund and the UK Shared Prosperity Fund, which are both being administered by councils direct. Where combined authorities exist, it is expected that the LEPs and their activity will be integrated with the combined authority by 2030. These are indications that more funding will be directed through councils and the role of LEPs is likely to be in the form of joint working and collaboration rather than the approval of funding priorities.

Accounts External Audit sign-off

10. Following on from the update given by the Chair of the Audit and Governance Committee at the meeting on 27 April on the national issue that is holding up the final audit sign-off of the 2019/20 Accounts a further update is provided. A national task and finish working group was set up by CIPFA in March 2022 and following several meetings a short national consultation was issued in May, which set out the proposal on Infrastructure Asset Accounting and reporting to resolve the issue, along with a draft form of guidance on the accounting treatment and requirements.

Main Considerations for the Council

Redmond Review

11. There is little impact for the council to consider as a result of the latest government responses to the Redmond Review. An Audit Committee already is in place in the form of this Audit and Governance Committee. The Committee have already approved, and a recruitment process is underway, to appoint an independent member. A recruitment process has been undertaken and initially no interest was received, therefore a recommendation has been made to the Independent Remuneration Panel to provide remuneration for this position. Once approved by Full Council the recruitment process will be re-launched.

12. It is also likely that further changes to the Accounting Code of Practice will come forward in future years to address some of the underlying reporting issues and changes will be reported to this committee through the training provided to support the committee's responsibility for approving the accounts.

Local Enterprise Partnerships

13. The council are not expecting any significant change with the SWLEP and will continue to administer the current funds on behalf of the LEP. The council are actively working on the allocation of the UK Shared Prosperity Fund to ensure outcomes are maximised.

Accounts External Audit sign-off

14. We are awaiting final confirmation of the changes to the Accounting Code of Practice and are expecting further disclosure requirements, specifically for Infrastructure Assets with the need for a specific Accounting Policy on the valuation of these assets. The expectation remains that the 2019/20 accounts will be signed off by the external auditor during summer which will be followed by the approval of the accounts to be made by the Corporate Director of Resources and Deputy Chief Executive (S151 Officer) in consultation with the Chair of the Audit and Governance Committee. This further delay may impact on resources available to progress the 2020/21 Accounts and 2021/22 Accounts through the audit process, and therefore sign-off that was originally planned November may not be possible, although focus will be given to this important area and November remains the target date for approval.

Overview and Scrutiny Engagement

15. No overview and scrutiny engagement has taken place due to the responsibility of governance lying with the Audit and Governance committee. These updates relate to governance and control environment considerations for the council.

Safeguarding Implications

16. There are no safeguarding implications associated with this report.

Public Health Implications

17. There are no public health implications associated with this report.

Procurement Implications

18. There are no procurement implications associated with this report.

Equalities Impact of the Proposal

19. There are no equalities impacts arising from this report.

Environmental and Climate Change Considerations

20. There are no environmental and climate change considerations arising from this report.

Risks that may arise if the proposed decision and related work is not taken

21. There are no proposed decisions within this report.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

22. There are no proposed decisions within this report.

Financial Implications

23. There are no direct financial implications as a result of this report.

Legal Implications

24. There are no legal implications associated with this report.

Workforce Implications

25. There are no workforce implications associated with this report.

Options Considered

26. It is good practice to provide the Audit and Governance committee regular updates to the regulatory environment that are pertinent to governance and control environment aspects of the running of the council, that fall within the responsibility of the committee. To not provide updates may mean that the governance and control environment of the council is not appropriate and robust and action or action is not taken early to address changes that may be required to frameworks, policies and procedures.

Conclusions

27. It is recommended that Audit and Governance Committee note the contents of this report.

Andy Brown

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Appendices

None

Background Papers

None