

Audit and Governance Committee

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 23 JULY 2024 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Iain Wallis (Chairman), Cllr Stuart Wheeler (Vice-Chairman), Cllr Pauline Church, Cllr Chuck Berry, Cllr Adrian Foster, Cllr Gavin Grant, Cllr Howard Greenman, Cllr George Jeans, Cllr Pip Ridout, Cllr Martin Smith and Cllr Nick Botterill

30 **Apologies**

Apologies were received from:

- Andrew Geddes (Independent Coopted Member)

31 **Minutes of the Previous Meeting**

The minutes of the meeting held on 23 April 2024 were presented for consideration, and it was,

Resolved:

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

32 **Declarations of Interests**

There were no declarations of interest.

33 **Chairman's Announcements**

There were no Chairman's announcements.

34 **Public Participation**

There were no public statements or questions received.

35 **Risk Management**

Perry Holmes, Director Legal and Governance, introduced the item. It was stated that a SWAP internal audit had identified that significant improvement was required around Risk Management and Catherine Pink, Corporate Support Manager, would talk through the work which had been undertaken.

Catherine Pink explained that the agenda report set out changes to risk management processes and a new Risk Management Policy which had been approved by [Cabinet at their meeting on 7 May 2024](#). The changes involved a move to a new 5 x 5 scoring matrix for risk and improved processes for managing and escalating risk. The officer detailed the roles and responsibilities for risk, and how these now aligned with the three lines of defence set out in the constitution and recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). The first line of defence was officers. The second line of defence was Cabinet and the Overview and Scrutiny Management Committee. The third line of defence was where the Audit and Governance Committee came in. The Committee's role was to ensure the effectiveness of the framework within which risks are managed, rather than scrutinise the risks themselves.

Committee Members raised queries relating to financial implications and self-build housing. In response officers stated that financial reporting went through Cabinet and Scrutiny and the Committee could take assurance from that. In addition, Scrutiny Members advised that Overview and Scrutiny would be looking at self-build housing and performance against core policy. The Audit and Governance Committee would receive annual reports on Risk Management to keep them updated.

Members then raised inter-relationships between Member led tiers of defence, dynamic risk assessments and whether annual reporting to Audit and Governance on risk was sufficient. Officers stated that they could include some element of dynamic risk assessments. Officers would take this away in order to determine the best way of getting information to the Committee. Officers highlighted that the Council was transparent. It was suggested that if Members were interested in a particular area, that they would look at agendas and minutes for meetings relating to those areas.

Members raised the recent CrowdStrike IT outage and whether this had affected the Council, in particular in relation to the Network Boundary Defences audit. Mark Tucker, Director of ICT, stated that the Council was not affected by the CrowdStrike outage. That particular piece of software would not be used on the network boundary defence components. However, the Council would review how anti-virus software could affect the estate.

Following a proposal by the Chairman, which was seconded by Cllr Adrian Foster it was,

Resolved:

To note the status update on the Council's risk management framework.

36 **Internal Audit update reports**

Becky Brook, Principal Auditor, SWAP, introduced the internal audit progress report. Details included that the ongoing internal audit opinion was reasonable and that there had been no new no assurance or limited assurance audits.

Updates were given on the three previously reported significant corporate risks:

- **Pension Fund Key Controls:** a full review had been undertaken and significant progress had been made. Therefore, a reasonable assurance opinion was issued for the Pension Fund. SWAP would continue to monitor this area but would no longer report on it to the Audit and Governance Committee as it was no longer considered a significant corporate risk.
- **Pension Payroll Reconciliation Project:** The work on this was complete and risks had been mitigated.
- **ICT Network Boundary Defences:** Work was in progress, and this was a key focus of the ICT team, further updates would be given to the Committee in the future.

Further highlights from the report included page 29 of the agenda which listed Strategic Risks for the Council. It was stated that these should be considered alongside Cabinet reports.

The council's performance against agreed actions was detailed. Good progress was being made against agreed actions and the number of overdue actions had decreased significantly.

Members raised concerns regarding the lack of internal audit coverage against the climate impact strategic risk. SWAP explained that there was work in progress by the service, but it had not been formalised yet, so updates could be brought to a future meeting. The Committee was advised that the Climate Change task group had discussed this in some detail.

The Network Boundary Defences Audit was discussed. From SWAPs point of view progress against actions was on track. There had been some movement, but SWAP was satisfied that progress was being made. Mark Tucker, Director of ICT stated that supply chain issues had eased, they had the equipment needed, and that this would be rolled out over the summer.

The Committee congratulated officers on the very satisfactory transformation from where we were to where we are now.

On the proposal of the Chairman, seconded by Cllr Martin Smith, it was,

Resolved:

To note the internal audit update provided by SWAP.

37 Annual Governance Statement 2023/24

Perry Holmes, Director Legal and Governance explained that evidence that there were appropriate governance procedures in place which delivered against the business plan was contained within the Annual Governance Statement (AGS). It also identified best value and continual improvement. The covering

report included improvement actions which had been previously identified and progress against those by RAG (Red, Amber, Green) rating them.

Mr Holmes explained that part of his role as monitoring officer was to prevent the council from undertaking anything unlawful. Occasionally however, when there were valid reasons, he did not use his statutory power to prevent this from happening. Occasions when unlawful actions were undertaken by the Council were also reported in the AGS. There were 2 such instances. One was where on 2 occasions children were placed in unregistered placements (that is those not registered with Ofsted). This occurred due to the unavailability of suitable placements. When this occurred, there were strong controls in place to mitigate any risks. The other occasion was the council being unable to publish audited accounts by the statutory deadline. This was due to the delays in completing the accounts which had been discussed at length on many occasions at the Audit and Governance Committee.

The officer referenced the highlighted section within the AGS in relation to complaints. The annual letter from the Local Government and Social Care Ombudsman (LGSCO) had not been received at the time of publication. This letter had now been received and therefore the AGS would be updated to include the details. The number of complaints received within the year was 493. The number of complaints upheld was approximately two thirds. The Standards Committee would receive a more detailed report on complaints.

The Chairman noted that the AGS 2023/24 would be coming back to the Audit and Governance Committee for final approval when the Statement of Accounts 2023/24 was signed off.

On the proposal of the Chairman, seconded by Cllr Gavin Grant, it was,

Resolved:

To consider the draft Annual Governance Statement for 2023/24 at Appendix 1.

38 **Whistleblowing Policy**

Jo Madeley, Head of Legal, Democracy and Governance, presented the update on the Whistleblowing Policy. The officer explained that a review of the policy was required every 2 years, and this had last been undertaken in 2022. The policy was intended to encourage employees to raise any concerns. The Public Interest Disclosure Act 1998 provided legal protection to workers raising issues in good faith. Any issues raised should be in the public interest. The policy reflected this.

The main changes to the policy were that schools should have their own Whistleblowing Policy. Where concerns were raised as part of an internal process the manager concerned should report this up in accordance with the procedure. It was clarified that the council would report to SWAP at all points regarding whistleblowing. Additional provisions had been included to cover

whistleblowing by members of the public. The contact details had also been updated.

The Chairman highlighted a typographic error in the report on page 71, paragraph 4.1, where he believed it should read paragraph 4.6. It was confirmed this was an error and would be corrected.

Members queried the numbers of whistleblowers each year and highlighted that in some public services, such as the health service, whistleblowers could be victimised.

The officer explained that a report would come to the Committee each year with details. There were small numbers of whistleblowers and individuals were protected. Any concerns were raised with SWAP and the Chairman was also kept updated.

In response to a query regarding confidentiality agreements and Non-Disclosure Agreements (NDAs), officers explained that these were not part of normal council activity, and the council would not expect that or want it, unless there were exceptional reasons.

In response to a query regarding whether analysis of whistleblowers took place to ensure they were not treated differently, it was explained that most of the whistleblowing process took place through SWAP, so that it was independent, and a lot of it was anonymous. However, there were statutory protections in place. Officers had not seen any negative treatment.

The Chairman noted that ultimate approval of the policy would be by way of a Cabinet Member Decision.

On the proposal of the Chairman, seconded by Cllr Howard Greenman, it was,

Resolved:

That the Audit and Governance Committee endorse the development of the Draft Whistleblowing Policy appended to the report as Appendix 1 and note the subject work to be undertaken once adopted.

39 **External Audit Plans 2023/24**

Liam Royle, Public Sector Audit Manager at Grant Thornton, presented a progress report which covered both the Council Audit Plan and the Wiltshire Council Pension Fund Audit Plan. The bulk of the commentary was on page 98 of the agenda pack. Unfortunately, Grant Thornton had only been able to bring the Wiltshire Council Pension Fund Audit Plan as there had been delays getting responses to some requests. Since the reports had been published some progress had been made and the Wiltshire Council Audit Plan would now come to the next meeting. The hope was to get things back aligned so that items were coming to the Committee at the right time. It was however acknowledged that this would be difficult. Many aspects were still unknown as full details had not

been announced by central government. It was thought that there was still a backstop plan, however it was not confirmed when the backstops were (as this would require legislation which had been delayed by the general election) or what would happen with the 2023/24 accounts.

The report also detailed audit deliverables and various sector updates.

Members had no questions regarding the progress report.

The representative then presented the Wiltshire Pension Fund Audit Plan which started at page 111 of the agenda pack and would be taken as read. Materiality was set at £15 million, which was very low for a pension fund. This was because it was Grant Thornton's first year as the council's external auditor and also due to all the issues with the backlogs.

There were no further questions from Members and on the proposal of the Chairman, seconded by Cllr Chuck Berry, it was,

Resolved:

To note the External Audit progress update and the Wiltshire Pension Fund Audit Plan 2023/24.

40 **Interim External Auditor's Annual Report**

Jackson Murray, Director, Public Sector Audit, Grant Thornton, presented the interim external auditors annual report 2023/24.

The representative noted that this was an interim report and not the final report. Annual reports for prior years were still outstanding and Grant Thornton would need Deloitte's reports to conclude their work. Deloitte should also still be undertaking value for money work.

There could be recommendations made which ranged from improvement recommendations to key recommendations to statutory recommendations. The vast majority of recommendations so far were at the improvement level. The report covered to 31 March 2024. The financial commentary reflected the quarter 3 position. The final version would reflect the final outturn so numbers would change slightly. There were a couple of areas where Grant Thornton were still awaiting information and these were flagged red on the report.

There had been some key recommendations in relation to financial sustainability and the Dedicated Schools Grant (DSG) High Needs Block (HNB) which was one of the biggest risks to the council. With legislation as it was in relation to this, it was a key risk and a significant weakness. The statutory override was in place until 31 March 2026. Management felt this needed to be extended. If it was not extended, there was a significant deficit nationally which could not be met and the sector would fail. Wiltshire Council were not alone in facing this, and Grant Thornton had seen it in a lot of other local authorities. Grant Thornton felt that their report matched the Section 151 officers report.

During debate Members highlighted that pension funds were inherently risky and queried whether Grant Thornton were happy with the spread of investments. Grant Thornton stated that there was a pension fund strategy statement and that they were happy that it went through the appropriate governance arrangements. This was looked at by the Wiltshire Council Pension Fund Committee.

Members also queried whether underspends should be allocated to areas of high risk, rather than spent on what the public felt was appropriate. Officers stated that they could make recommendations, but it was ultimately a political decision. It was important to read the financial implications sections contained in all reports.

Other Members highlighted that there was not much that could be done other than to lobby central government, along with other council's regarding the DSG HNB.

Furthermore, Members stated that the improvements recommendations on pages 151 -152 were in relation to known factors which had been discussed at the Financial Planning Task Group (FPTG). Members queried Grant Thorntons opinion on the management comments in relation to those recommendations. Mr Murray explained that Grant Thornton would give their view in the next report, after seeing further outturn reports.

Members also highlighted that the FPTG and the Overview and Scrutiny Management Committee (OSMC) had looked at outturns and treasury management in some detail.

Grant Thornton highlighted that they were looking at the previous year, so it would be reported next year that they had made a recommendation and that it was being acted upon.

Lizzie Watkin, Director of Finance and Procurement (S151 Officer) stated that there had been significant improvement but that the journey was not complete. The capital programme had major implications on revenue budgets so was very important. Grant Thornton looking at these things was also very important and helpful, as they had a view over lots of local authorities.

Members stated that the report from Grant Thornton was very clear and that they were pleased to see the things which Grant Thornton had identified, which matched with what the FPTG had identified. The DSG was a key risk and an enormous amount of work had been undertaken on capital budgets.

The Safety Valve agreement was discussed in some detail. Officers stressed that this was a very real financial risk for the council and that actions were taken to address the in year position. The council needed to build capacity to address the deficit situation. Things could be tricky if the government did not extend the statutory override by the time that the council started setting budgets. Officers explained that the situation had occurred due to a change in government

legislation in 2015, and demand was rising in terms of Special Education Needs (SEN) such as Autism Spectrum Disorder (ASD) and Social, Emotional and Mental Health (SMEH) Needs.

Members queried whether such an important issue should be on every agenda until the situation was resolved. Officers stated that the appropriate conversations needed to be had at the right times in the right places, but it was not felt that it needed to be on every agenda at every meeting. A large tranche of funding had been received to help clear the deficit but there was a need to address what would happen if the Safety Valve agreement did not continue. The various lines of defence were detailed along with actions the council was taking. Such as the High Needs Sustainability Board, which the S151 officer was on; the transformation programme; trying to increase provision locally; early intervention and prevention and also creating reserves to deal with it.

It was acknowledged that awareness and communications regarding the situation for all Members of the council, particularly those who were not on committee's where this was discussed needed to be increased. Officers would follow up to ensure that Members got assurance.

At the conclusion of the debate and on the proposal of the Chairman, seconded by Martin Smith, it was,

Resolved:

To note the interim external auditor's annual report 2023-24.

41 **Statement of Accounts / Backstops update**

Lizzie Watkin, Director of Finance & Procurement (S151 Officer), presented the report. It was clarified that the report was about the accounts and audits backlog, and how this was being managed was the proposed backstops. The officer highlighted that this had been reported to the Committee on many occasions but that officers wanted to update on the situation. Local authorities needed to get back on track and deal with accounts in a timely manner. There had been various consultations by various different government type organisations as to what was needed to address the backlogs. The general election had stopped the process to get the backstop legislation through parliament. Officers were still being told that implementing the changes to let the backstops happen was a priority. However, there had been no conclusion to the various consultations.

The council were still working to an end of September backstop date for the 2020/21 – 2022/23 accounts. Public inspection periods would be allowed for any draft accounts issued. The impact for future years was still not known. CIPFA had been going to amend the accounting code of practises for 2023/24 and 2024/25, but this was now not happening. Officers would discuss with Grant Thornton what this meant for the 2023/24 accounts. The update was quite brief as a lot of information was still awaited. Once updates had been received from central government officers would update the Committee.

In response to questions from Members officers stated that the certificate for the 2019/20 accounts had still not been received from Deloitte despite them being approved in February 2024. Likewise, there had been no plan forthcoming for the Value for Money work for the 3 years of outstanding accounts. The Chairman would be writing formally to Deloitte regarding the situation. Wiltshire Council were still in contract with Deloitte via Public Sector Audit Appointments (PSAA) for the 3 years of outstanding accounts. If the Chairman's letter to Deloitte did not progress the situation there was the option to write to the PSAA to say that they were not fulfilling their contract.

At the conclusion of the debate, and on the proposal of the Chairman, seconded by Cllr Pip Ridout, it was,

Resolved:

To note the contents of the Statement of Accounts / Backlog report.

42 **Forward Work Programme**

The Chairman highlighted the Forward Work Plan (FWP) in the agenda and queried if any changes were requested. None were.

It was noted that the extraordinary meeting in September to consider the Statement of Accounts 2020/21 – 2022/23 may not be needed or the date may need to be changed, however it was being left in the calendar at this time. It was,

Resolved:

To note the FWP.

43 **Date of Next Meeting**

An extraordinary meeting of the Committee had been organised for 11 September 2024 at 2.00pm. However as detailed above, this may need to be changed.

The next ordinary meeting of the Committee would be held on 17 October 2024 at 10.30am.

44 **Urgent Items**

There were no urgent or part II (private) items, so the Chairman thanked everyone for attending and closed the meeting.

(Duration of meeting: 1.30 - 3.45 pm)

The Officer who has produced these minutes is Tara Hunt of Democratic Services,
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