

Audit and Governance Committee

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 23 APRIL 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, Cllr Nick Botterill, Andrew Geddes and Jennifer Whitten.

15 **Apologies and Membership**

- a) An apology for absence was received from Cllr Richard Clewer.

The Chairman gave an update on membership of the Committee. Councillor Mike Sankey had moved on from the Committee, so thanks were given to Cllr Sankey for his work whilst on the Committee. Cllr Pauline Church had become a full member of the Committee, and the Chairman welcomed her.

- b) The Chairman explained that at Full Council on 17 May 2022, it was approved that the power to appoint up to 2 co-opted non-voting Members be delegated to the Audit and Governance Committee, and the arrangements for the selection of those Members to be delegated to the Monitoring Officer in consultation with the Chairman of the Committee.

Following a recruitment process which involved an interview panel comprising the Chairman, Cllr Sankey, and Cllr Jeans, supported by Lizzie Watkin (Director of Finance & Procurement (S151 Officer)), 2 candidates were selected who it was felt would be great additions to the Committee.

The Chairman proposed that the Committee formally ratify the appointment of Andrew Geddes and Jennifer Whitten as co-opted non-voting members of the Committee. This was seconded by Cllr Gavin Grant and it was,

Resolved:

That the Committee formally ratified the appointment of Andrew Geddes and Jennifer Whitten as co-opted non-voting members of the Committee.

Due to their being new attendees at the meeting, the Chairman suggested that everyone present introduce themselves.

16 **Minutes of the Previous Meeting**

The minutes of the meeting held on 7 February 2024 were presented for consideration, and it was,

Resolved:

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

17 **Declarations of Interests**

There were no declarations of interest.

18 **Chairman's Announcements**

- **Statement of Accounts 2109/20**

The Chairman announced that following the last meeting of the Committee in February, where the 2019/20 accounts were approved, it was anticipated that the audit certificate would be received from Deloitte to allow the council to publish final audited approved accounts. The certificate had not yet been received and therefore publication had not been possible. Once the 2019/20 accounts were published officers would inform the Committee.

Lizzie Watkin, Director of Finance & Procurement (S151 Officer), confirmed that she had checked again that morning and the certificate had not been received.

In response to questions from Members the officer explained that they had received 2 further queries from Deloitte regarding those accounts, for which officers provided information. These queries did not raise anything of material significance. As to whether this would delay the following sets of accounts, the draft 2020/21 accounts were in the agenda and the council was not expecting any significant audit activity on the three outstanding sets of accounts. There would be a public inspection period after each set of accounts was published and officers did not want those to overlap, so that the public could focus on one set of accounts at a time. Further details would be given under the Statement of Accounts 2020/21 item.

Cllr George Jeans arrived at 10.47am.

19 **Public Participation**

There were no public statements or questions received.

20 Internal Audit Annual Opinion

Becky Brook, Principal Auditor at SWAP, presented the internal audit annual opinion from SWAP, which was reasonable. Significant risks highlighted over the year were being followed up and SWAP would report back to the Committee when these were adequately mitigated.

Various pages of the report were highlighted, including the key highlights at page 16 of the agenda; audit coverage by strategic risk at page 17; and follow up audit actions at page 18.

58% of SWAP's work had given reasonable opinions. Value added work was detailed at pages 20 - 21. Wiltshire Council, via SWAP, were a partner of CiFAS (Credit Industry Fraud Avoidance System). Pages 24 – 29 included details of all work undertaken over the last year.

Members queried that the report seemed to be focused on SWAP's performance, rather than Wiltshire Council's performance. Sally White, Assistant Director, SWAP, explained that this was an annual overview, so was a summary and did point more to SWAP's performance. The quarterly internal audit updates brought to the Committee would have more details regarding Wiltshire Council performance, such as any limited or no assurance audit opinions.

Lizzie Watkin (Director of Finance & Procurement (S151 Officer)) stated that when limited or no assurance audits were received, the service area involved would be invited to the Committee so that the situation and actions to be taken to mitigate any risks could be drilled into in more detail.

Members queried the lack of audit coverage by strategic risk. Ms White explained that there was limited data available at present, as SWAP had changed to a new system approximately 16 months ago, so that affected coverage shown in the report.

Members requested assurance regarding cyber resilience, as the ICT network boundary defences audit had received a limited assurance opinion. Following this the service area had attended the Committee to give further details. The SWAP representative stated that SWAP was currently exploring with ICT how far they had progressed in terms of mitigating cyber risks around ICT network boundary defences. The Committee would be updated when appropriate.

Members then had a discussion regarding whether progress against targets set more generally were audited. Examples given were targets for self-build houses, the 5 year housing land supply (now 4 years) and the Gypsy and Traveller policy. Members were particularly concerned about the council's statutory obligations and where it was recorded whether the Council was meeting those.

Ms White stated that they did look at Key Performance Indicators (KPI's) sometimes, however it depended on the scope of their work.

Members further discussed various issues that had occurred a planning committees.

Cllr Nick Botterill, Cabinet Member for Finance, Development Management and Strategic Planning, highlighted that a Gypsy and Traveller Plan was being developed in line with regulations and there was a published development scheme.

Some Members felt that these sorts of issues were beyond the remit of the Audit and Governance Committee.

Lizzie Watkin stated she understood the Members concerns and there was an onus on officers in terms of transparency of reporting. The officer felt like this would be something that would fall under one of the Scrutiny Select Committees. The officer would take this away and follow it up with the Monitoring Officer, to ensure the structures were in place. However, there was a complexity around the Committee's role in terms of governance. Performance and Outcomes Boards and Groups did look at this type of issue, and they did not want to duplicate that, but did want robust debate.

Members again stated that they wanted to know where performance against things the council had said it would do was measured and shown, and that this should be audited. Members also highlighted that they had been arguing for a Finance Select Committee.

The officer explained that internal audit activity was focused in terms of risk and mitigation, and risk of not meeting statutory duties should be covered by internal audit. In terms of the Business Plan, quarterly performance reports went to Cabinet. This was why she had suggested a Select Committee to be the correct route as they look at Cabinet's role. They needed the right reporting in the right place. The officer re-iterated that she would discuss this with the monitoring officer.

The Chairman proposed a motion to note the Internal Audit Opinion provided by SWAP, this was seconded by Cllr Stuart Wheeler.

Members debated further with points raised including concerns regarding coverage of audits and whether identified actions were being followed up.

SWAP stated that any risks with no coverage were in the plan to be covered and Members could look at the Audit Board for the latest information regarding audits and to access the rolling internal audit plan. This approach had been adopted so that the plan was dynamic and responsive. It was highlighted that strategic risks were not the only factor considered by SWAP when planning their internal audit work.

Lizzie Watkin suggested that the Committee may need more information on the risk management approach, so requested that this be added to the Forward Work Plan.

At the conclusion of the debate, it was,

Resolved:

To note the Internal Audit Annual Opinion provided by SWAP.

21 **Internal Audit Approach to Audit Planning**

Becky Brook, Principal Auditor, SWAP, presented the internal audit approach to audit planning.

She explained that Members would be aware that for the past 16 months there had been a continuous, rolling plan approach. This was a mix of requested work as well as things which SWAP recommended, based on strategic risk and SWAP's top 10 risks amongst other things. The benefits of the Audit Board were highlighted as this was where Members could see work in progress and what was planned. New Members of the Committee would be set up on the Audit Board and provided training. SWAP would bring the internal audit charter to the Committee later in the year and until then would work off the old charter.

The Chairman proposed to note the internal audit approach to audit planning. This was seconded by Cllr Martin Smith.

There were no comments or debate, and it was,

Resolved

To note the internal audit approach to audit planning.

22 **Introduction to New Auditors and External Audit Plans 2023/24**

Jackson Murray of Grant Thornton, explained that Grant Thornton had been appointed by Public Sector Audit Appointments (PSAA) as the new auditors from 2023/24 onwards. This would be the first set of accounts that they would work on for Wiltshire Council. Mr Murray himself had been working on public sector audits for 15 years.

Mr Murray highlighted the progress report in the agenda pack and stated that Grant Thornton would bring one of these to each Committee they attended. The report detailed where they were in terms of progress and value for money. The report also brought to the Committees attention items related to external audit that may be of interest.

Page 40 of the agenda was explained in further detail. Some good progress had been made towards the financial statements audit. They had intended to bring the external audit plan but had not been able to progress that far yet, so were slightly behind on where they wanted to be. The backlog in signing off previous statements of accounts, (as was the case for many local authorities), made it

difficult to plan. It was noted that the council was swapping to a new ERP system, and this was tying up ICT staff, so there had been difficulties getting information from ICT colleagues at the council. Questions asked of Wiltshire Council, such as those informing the risk assessment would be asked every year and these and the responses when received would be reported to the Committee. It was expected that the external audit plan could be presented to the July meeting of the Committee.

Regarding value for money, significant progress had been made in that area, with good engagement from officers.

It was expected that an interim auditor's report for 2023/24 would be brought to the July meeting of the Committee. It was hoped that this would provide a good overview on financial sustainability, governance and value for money arrangements.

In relation to backstops for outstanding audits it was explained that a consultation on backstops had taken place in February/March, however, nothing had been officially announced since then. The consultation suggested that all the outstanding audits would need to be completed by 30 September 2024. Councils must produce draft published accounts to allow for public consultation. The wait for confirmation from government made things challenging, as what did a number of years unaudited accounts mean? If closing balances were not audited, how would they know the opening balances were correct? There had been no clarity on that. Grant Thornton would make sure closing balances as of 31 March 2024 were correct and then ensure opening balances for the next set of accounts were correct. Assuming there were a number of backstop qualified accounts it would be difficult to get an unqualified opinion for 2023/24.

The escalation policy was detailed at page 43 of the agenda as Grant Thornton wanted the Committee to understand how they wanted to work. If there were challenges identified in terms of the accounts, the policy set out how they would escalate matters. It was hoped that they would not need to use the policy.

The Chairman stated that he would welcome the progress reports going forward.

Members raised concerns that Grant Thornton had struggled to get information requested and pondered if officers understood the gravity of the situation.

Lizzie Watkin, Director of Finance and Procurement (S151 Officer), stated that she had been made aware that there were problems of information not coming through, particularly from ICT. The officer had tough conversations with staff about the knock-on effects of not providing enough information to the external auditors, so they were aware. However, ICT's current priority was supporting the new ERP system.

Members highlighted that the Dedicated Schools Grant - High Needs Block deficit was a national issue which government needed to look at, however Wiltshire Council were taking the risk seriously. My Murray confirmed that he

understood that it was a national funding challenge, and this would be reported on further in future value for money updates.

In response to questions regarding the backstops and whether Wiltshire Council was an outlier in terms of unaudited accounts, it was explained that Wiltshire Council was not an outlier, but were in the middle. Some authorities had many years of audits outstanding, and some were up to date. The latest figures seen reported that there were approximately 600-700 audit opinions outstanding, with some going back to 2015/16. This was why the government had introduced the backstop dates. External Audit firms were talking to each other and industry bodies regarding how it would work. Many different stakeholders needed to agree the way forward and the industry really needed to see the results of the consultation. There had been lots of consultation but not much action from government. The suggested backstop for the 2023/24 accounts was 31 May 2025. It was hoped that they would not need to backstop the accounts again.

Lizzie Watkin added that in terms of the consultation, it was focused on the backstops and how to clear the accounts, but it did not cover why the situation had occurred in the first place. As mentioned at many previous Audit and Governance meetings, it was explained that the external audit market was broken, partly as there were not enough firms able to undertake local authority audits. Also, the financial reporting regulations that local authorities were expected to adhere to were incredibly complicated and impenetrable. These involved very technical things which were not actually relevant for the public to scrutinise the council's finances. If that was not addressed, it was thought that there would likely be further backlogs. The council would work with the auditors, but they were framed by financial regulation. The value for money aspect was welcomed.

Members queried the comments in the value for money section of the report (page 40) on *"2023/43 Financial Statements – pervasive and significant weaknesses in internal controls reported by previous auditor"*. Mr Murray explained that this related largely to the audit finding report presented at [Audit and Governance on 7 February](#) and the statutory recommendations that Deloitte made at the [Extraordinary meeting of Full Council on 20 February](#). Grant Thornton would need to look at this in more detail.

Whilst Members understood the rationale of the comment, they were not sure that the comment adequately framed the situation and felt that the weaknesses in the 2019/20 accounts were recognised and that most of the actions identified had already been implemented.

Lizzie Watkin clarified that as stated at previous meetings there were errors and misstatements within the 2019/20 accounts. Numerous internal controls had been implemented and technical accounting agency staff had been employed for quite some time. However, she also felt that pervasive was not quite the right wording. It was explained that this again was to do with assets. Local authorities did not use assets like the private sector did, and how did one value a bridge or a highway? The officer felt that the 49 weaknesses identified were very repetitive. The internal controls implemented for the 2019/20 accounts had

not been audited yet. They would not be independently checked until Grant Thornton looked at them. It was stated that it had been a difficult and frustrating journey. The hope was that the 2023/24 accounts could be progressed successfully.

Members commented again on the Dedicated Schools Grant and the backstops, which were outside of the council's control, they were national government issues. Members noted that the Financial Planning Task Group (FPTG) had repeatedly flagged the Dedicated Schools Grant situation.

Lizzie Watkin explained the Dedicated Schools Grant - High Needs Block situation in more detail. National government had changed the regulations around that. The council had signed up to the Department for Education (DfE) safety valve agreement to help with the deficit caused. The council was undertaking a lot of work on education for children with SEND, aiming for an earlier, more proactive response. So that children got the right education, in the right place, according to need. Furthermore, as part of budget reporting, Cabinet approval had been given to cover some of the deficit. It was hoped the government would provide clarity and confidence that the overrides would remain in place. In relation to audit regulations, the council would continue to lobby for changes.

The Chairman, seconded by Cllr Pip Ridout, proposed that the Committee note the Audit Progress report and Sector Updates provided by Grant Thornton.

Members briefly debated amending the motion to clarify that the comments were in relation to the 2019/20 accounts and the situation had moved on since then. However, others felt that the auditors needed to be forward thinking. So, it was decided not to amend the motion.

Mr Murray stated that there would be more details available in the external audit plan at the next meeting. So, this could be discussed further at that point.

It was,

Resolved:

To note the Audit Progress report and Sector Updates provided by Grant Thornton.

The Chairman called a short recess at 12.20pm. The meeting reconvened at 12.28pm.

23 **Accounting Policies 2023/24**

Lizzie Watkin, Director of Finance and Procurement (Section 151 Officer), presented the accounting policies 2023/24.

The officer highlighted the importance of the accounting policies which would be used to undertake the 2023/24 accounts. It was best practice to bring these to

the Committee for approval and they were reviewed annually. The policy would be taken as read. It was noted that there were some small amendments from the 2022/23 policy, such as depreciation of community assets. It was also noted that officers had failed to remove reference to the previous years policy everywhere in the document and that it should read 2023/24 everywhere. This would be corrected.

Members stated that whilst the policy was broadly consistent with previous years, it was not clear where amendments had been made, so clarification was requested.

In response the officer stated that it was in relation to assets and depreciation of property and plant equipment (page 65 of the agenda). Asset accounting for local authorities was a bit strange. Some things, such as land, did not depreciate but were reflected in net book value. Some assets did not have a determinable useful life. That was really the only change.

Members queried whether there was a formula for depreciation and whether this reflected the inherent cost of replacing assets.

It was explained that our assets had very different valuation bases. For some it was depreciated historic costs and for others it would be the replacement cost. Some had indices applied to them and every asset was revalued every 3 years. It was, for example, extremely hard to value a highway, as you would never sell a road. There was a framework of how to get consistent values and the accounting policy detailed how asset values were drawn up. Some replacements were funded through debt; however, this was not recognised in the accounts, they recognised Minimum Revenue Provision instead.

In response to a question on Lyneham Banks it was explained that a report had gone to Cabinet regarding that and set out how the council were going to fund the work. Furthermore, it was detailed that some assets were insured, for example buildings. However, some assets were not insurable. For Lyneham Banks additional funds were requested from the Department for Transport (DfT). The council received an annual grant from the DfT to repair and maintain roads and it was important that this was allocated effectively.

The Chairman proposed that the Committee approve the accounting policies for the financial year 2023/24. This was seconded by Cllr Gavin Grant, and it was,

Resolved:

To approve the accounting policies for the financial year 2023/24.

24 **Policy Updates**

Lizzie Watkin, Director of Finance and Procurement (S151 Officer), presented the policy updates for 2023/24 for the following policies:

- Anti-Fraud Corruption and Bribery

- Anti-Tax Evasion
- Anti-Money Laundering

It was explained that a couple of years ago it became clear that the council did not have up to date policies in the areas listed above. Therefore, these were developed and brought to the Committee for approval, and it was resolved that the policies would be reviewed and refreshed biennially. The policies were appended to the report and text in red was where updates had been made. It was highlighted that when there were any instances of accusations, policies were reviewed as well, particularly when it came to money laundering.

Members queried how cases were detected and which areas were most at risk. It was explained that the teams such as Adult Social Care, Business Rates, Revenues and Benefits, and Housing were very aware what to look out for. There were controls in place and teams had access to national databases. SWAP also reviewed key control audits.

It was hoped that the Whistleblowing policy would come to the next meeting.

Members highlighted that the policies did not refer to residents at all in the who this policy applies to section. The officer agreed that they could add residents, in terms of their interactions with the council, to the policies.

The Chairman proposed that the Committee approve the council's updated Anti-Fraud, Bribery and Corruption Policy, Anti Tax Evasion Policy and Anti-Money Laundering Policy, with the addition that members of the public/residents be included, in terms of their interactions with the council. This was seconded by Cllr Howard Greenman. It was,

Resolved:

To approve the council's updated Anti-Fraud, Bribery and Corruption Policy, Anti Tax Evasion Policy and Anti-Money Laundering Policy, with the addition that members of the public/residents be included, in terms of their interactions with the council.

Cllrs Howard Greenman and Stuart Wheeler left the meeting at 1.00pm.

25 **Statement of Accounts 2020/21 and AGS 2020/21 Update**

Lizzie Watkin, Director of Finance and Procurement (Section 151 Officer), presented the Statement of Accounts 2020/21 and Annual Governance Statement (AGS) 2020/21 update.

The officer explained that the draft [Statement of Accounts 2020/21](#) had been published for the public inspection period so that the public could look at them and ask any questions they had. As part of the Statement of Accounts the AGS for that year was included. This had been approved by the Committee previously. This referred to an except for qualification on the 2019/20 accounts. However, a disclaimer opinion had been received. The AGS had therefore been

amended to reference the disclaimer opinion. This was a technical adjustment which the Committee needed to formally approve.

In response to a question regarding the other outstanding Statements of Accounts, it was explained that it was good practice that the Committee see the draft accounts. Deloitte were engaged; however, the council was not expecting any audit activity on the remaining outstanding accounts (up to 2022/23). Although the auditors would undertake value for money work, in order to meet the regulations. It was likely that they would all receive disclaimer opinions.

Cllr Pauline Church stated she had been cabinet Member for Finance whilst some of these accounts were underway so stated that she did not feel comfortable commenting or voting on this item, so she would abstain.

The officer noted that there was a typographic error in the proposed recommendation in the report. It should read 2020/21 for both the AGS and the draft Statement of Accounts.

The Chairman made the recommended proposal, which was seconded by Cllr Pip Ridout. It was,

Resolved:

- 1) To approve the amended Annual Governance Statement for 2020/21; and**
- 2) To note the publication of the Draft Statement of Accounts 2020/21.**

26 **Annual Update to Full Council**

Kieran Elliott, Democracy Manager, Democratic Services, presented a report regarding an Audit and Governance Committee Annual Update to Full Council. It was explained that there was no requirement to do this, however it was thought to be a good idea to highlight some of the work the Committee had undertaken in the past year. Therefore, delegation was being requested for the Director, Legal and Governance to produce an update, after consultation with the Chairman. Some other Committee's such as Standards and Licensing would be producing updates too. There had also been criticism from some Members that they were not aware of the Committee's work, so this would solve that problem. Although the idea had come about prior to the criticism.

The Chairman felt that this was a good idea. Members highlighted that Standards was included twice in paragraph 4 of the report.

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

Resolved:

To delegate authority to the Director, Legal and Governance, after consultation with the Chairman, to prepare an annual update to Full Council.

Cllr Pip Ridout left the meeting at 1.10pm.

27 **Forward Work Programme**

The Chairman highlighted the Forward Work Plan (FWP) in the agenda and queried if any changes were requested.

Officers stated that yes, as discussed earlier in the meeting, Risk Management should be added to the FWP, hopefully for the July meeting but conversations would be required with officers to determine which meeting it should come to.

The Grant Thornton reports as detailed in their update would need adding to the FWP.

SWAP also requested that a SWAP internal audit update be added to the October meeting.

Lizzie Watkin, Director of Finance and Procurement (S151 Officer), stated that she was hoping to update regarding the backstops at the July meeting. If nothing further had been heard from government by the July meeting, this would put at risk the September backstop for the outstanding accounts. However, once she knew the situation she would update the Committee.

Members queried as to whether the Committee was covering all of their responsibilities as detailed in [Section 3B of the constitution](#), paragraphs 2.7.9.1 to 2.7.9.15. Officers stated that they could discuss this in agenda setting meetings.

Members also queried whether a general election would affect the Committee's work and Ms Watkin stated that she would speak to the Director, Legal and Governance regarding that.

The Chairman proposed that the Committee note the FWP, with the additions detailed above, this was seconded by Cllr Gavin Grant, and it was,

Resolved:

To note the FWP with the additions of Risk Management, Grant Thornton reports, backstops, and SWAP internal audit updates.

28 **Date of Next Meeting**

The next ordinary meeting of the Committee would be held on 24 July 2024.

It was also highlighted that an extraordinary meeting of the Committee had been organised for 11 September 2024 to consider the outstanding accounts.

The Chairman requested that if any Members were unable to attend meetings that they send apologies and try to arrange substitutes.

29 **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: 10.35 am - 1.15 pm)

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

Press enquiries to Communications, direct line 01225 713114 or email communications@wiltshire.gov.uk