

# Audit Committee

Minutes of a meeting of the Audit Committee held in the Luttrell Room, Taunton on Thursday 26 July 2018 at 9.30 a.m.

## PRESENT

Cllr C Aparicio Paul (Chair)

|                             |                |
|-----------------------------|----------------|
| Cllr P Clayton (substitute) | Cllr B Filmer  |
| Cllr S Coles                | Cllr P Ham     |
| Cllr M Caswell              | Cllr L Leyshon |
| Cllr H Davies (substitute)  | Cllr J Thorne  |

**Apologies for absence:** Cllr G Verdon (Cllr Clayton as substitute), Cllr M Rigby (Cllr Davies as substitute)

**Other Members present:** Cllrs M Chilcott, N Bloomfield, J Lock, M Keating, T Munt, B Revans, F Purbrick, D Hall, John Hunt

**Officers present:** Pat Flaherty – Chief Executive, Peter Lewis – Interim Director of Finance and Statutory 151 Officer, Martin Gerrish – Strategic Manager Financial Governance, Scott Wooldridge – Strategic Manager Governance & Risk and Pam Pursley – Risk Manager. Also Peter Grogan, Information Governance Officer for Agenda Item 7; Carolyn Smith, Strategic Manager Mental Health & Safeguarding for Agenda Item 8; Simon Clifford, Director for Agenda Item 8.

**Also present:** Lisa Fryer from the Southwest Audit Partnership, and Peter Barber and David Johnson from Grant Thornton.

## 61 Declarations of interest – agenda item 2

61.0 Members of the Audit Committee declared the following personal interests in their capacity as a Member of a District, City/Town or Parish Council: Cllr C Aparicio Paul, Cllr M Caswell, Cllr P Clayton, Cllr H Davies, Cllr B Filmer, Cllr Ham, and Cllr Thorne.

61.1 Cllrs Leyshon and Caswell also declared personal interests as they both received pensions through the pension scheme.

## 62 Minutes of the last meetings – 21 June 2018 - agenda item 3

62.1 Cllr Leyshon pointed out that she was a member of the committee and it was Cllr Munt who was the substitute for Cllr Coles. The Committee then agreed that the minutes of the meeting held on 21 June 2018 were accurate, and the Chair signed them.

## 63 Public question time – agenda item 4

63.0 The Chair informed the meeting that as the questions received related to

item 6 on the Statement of Accounts they would be heard under that item.

#### **64 Statement of Accounts – Pension Fund - Agenda item 5**

- 64.0 This report was introduced by the External Auditor, Peter Barber. Members were informed that this was a very positive report for the Council. For the formal process of closing the Pension Fund's 2017/18 accounts, the Audit Committee is required to approve the draft Statement of Accounts by 31 July.
- 64.1 The external auditor's report summarised the findings from the 2017/18 audit of the Pension Fund financial statements. The report indicated that the accounts have received an unqualified opinion.
- 64.2 The auditor explained that the draft accounts contained no material errors and there had been only minor amendments which were discussed with officers during the audit. This was the third year the Accounts had been completed within this timescale and the first year when this was a statutory requirement. There were no significant issues to bring to the Committee's attention.
- 64.3 There was some discussion regarding pensions benefits payable, impact on fund regarding redundancy and transfers of staff and the management response to the need for journals to be authorised.
- 64.4 The Committee unanimously agreed to:
- Approve the audited Accounts of the Pension Fund for 2017/18; and
  - Approve the Letter of Representation on behalf of the Council.

#### **65 Statement of Accounts – Somerset County Council - Agenda item 6**

- 65.0 This report was introduced by the External Auditor, Mr Peter Barber. Attention was directed to the Audit Findings report of Grant Thornton and the External Auditor provided an overview of the findings from their audit of the Council's financial statements for the year ended 31 March 2018.
- 65.1 With regard to the Statement of Accounts and Annual Governance Statement, Mr Barber explained that no material errors had been identified and no adjustments to the financial statements that resulted in any changes to the year-end outturn position or balance sheet were needed. There were small recommendations made regarding improving the presentation of the statements that were dealt with during the audit. Mr Barber praised the finance team for the high quality of their work.
- 65.2 With regard to Value for Money arrangements, Mr Barber explained that the auditors were required to evaluate specific National Audit Officer criteria as to whether in all respects the Council has properly informed decision making, has sustainable resource deployment (financial resilience) works well with partners and other third parties. The External Auditor's conclusion and opinion are set out on pages 13-28 of his report. He concluded that in respect of his concerns on sustainable resource deployment that he would be issuing a qualified "adverse" Value For Money opinion. His view was that

without urgent actions, the County Council could run out of money in the next two to three years. However, as the County Council could meet its liabilities for the next 12 months after the Balance Sheet date, it was still a “Going Concern”. Mr Barber made 7 recommendations in relation to his Value For Money.

- 65.3 The Chief Executive, Mr Pat Flaherty, then took the Audit Committee through the management response. The County Council accepted the recommendations made by the auditor, as was already fully aware of the financial challenges, which was part of the reason it had invited the LGA to undertake a Corporate Peer Challenge. It had already set up the Financial Imperative programme, led by the Chief Executive and Senior Leadership Team concentrating wholly on addressing the financial position. Mr Flaherty outlined the County Council’s initial action plan to address the External Auditor’s recommendations and a number of supporting actions.
- 65.4 The Committee then heard public questions from Andrew Lee, and Nigel Behan who asked a number of questions with regard to the level of general and specific reserves, how SCC was meeting its liabilities, the External Auditor’s concerns and why these were not raised previously, the likelihood and impact of auditor issuing any “statutory recommendations” and the outsourcing of the Learning Disability Service.
- 65.5 Amongst the responses from officers, it was noted that the information on the reserves was set out in the Statement of Accounts on page 174 of the Committee papers, and that there was regular review of the Learning Disability Service contract at the Scrutiny for Policies, Adults and Health Committee including an update at its September meeting.
- 65.6 Members asked questions and discussed a number of topics including the use of the risk register, financial decision making and a section 114 notice, details about specific reserves including the Learning Disabilities Equalisation Reserve, the use of the Capital Receipts Flexibility, how to reduce the current overspend, the possibility of borrowing to invest, clarity of financial accounts and reports, the on-going contract with Discovery and costs incurred. Members were assured the council was not in the position which would require the Director of Finance to issue a section 114 notice.
- 65.7 Following consideration of the reports, the Committee agreed by majority (Cllr Coles voting against), to approve:
- The audited Statement of Accounts for 2017/18 (Appendix A);
  - The Letter of Representation for 2017/18 (section 5.1 and Appendix B);
  - The updated Annual Governance Statement as included within the Statement of Accounts (section 6)

## **66 Update on General Data Protection Regulations– Agenda item 7**

- 66.0 The Committee received information from Peter Grogan, the County Council’s Information Governance Officer, regarding the General Data

Protection Regulation (GDPR) implementation programme. This was in response to a request from Audit Committee in June. A vast amount of work was required and officers were working towards compliance. The authority needed to create and maintain an Information Asset Register listing the databases within the council that hold personal data. This was being built manually to help save system costs.

66.1 There were a couple of questions about the costs associated with this and whether this would save money as it would take more time.

66.2 The Committee noted the report.

**67 Partial Audit update – Mental Health Emergency Assessments Care Plans – Agenda item 8**

67.0 An internal audit had been conducted on the outcome focused care plans produced by the Mental Health Social Care Service and this had resulted in Partial assurance. Since then the Committee was informed that there had been an improved approach to record keeping and care planning which included using the AIS system for recording care plans.

67.1 A clear rationale had to be documented in cases where it was not possible for care and support plans to be completed and shared within 14 days of assessment. Reviews could now be monitored separately as a result of the use of the AIS system.

67.2 There was some discussion about retrieving data, staff training, checks and balances with the systems, when there would be a further update about this, and concern there was still a significant amount of paper documentation. Work was being done to try and get all organisations involved on one system – this was a national issue.

67.3 The Committee noted the report.

**68 Partial Audit update – New Operating Model Front Door – Agenda item 9**

68.0 An internal audit had been undertaken to assess the adequacy of the controls and procedures in place for the Adult Social Care new operating model front door processes at Somerset County Council. This had identified a number of areas where key risks were not well managed, and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

68.1 The Audit Committee were informed that the approach to calls about Adult Social Care had changed significantly, and the aim was to resolve as many calls as possible at the first point of contact by offering a range of solutions with an emphasis on outcomes. There was a training programme in place and staff were committed.

68.2 Of the 9 recommendations from the review, 5 had now been completed and the other four were on track to be completed by the end of September.

The committee noted the report.

**69 Forward Work Plan – Agenda item 12**

69.0 The Committee considered and discussed its Forward Work Plan of future agenda items and reports for the remaining scheduled Committee meetings in 2018.

69.1 Members were reminded that the next meeting was on 20 September at 10am.

The meeting closed at 12.40pm.

**Cllr Clare Aparicio Paul  
Chair – Audit Committee**