

Audit Findings Report - Recommendations Tracker

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Cabinet Member: Cllr Mandy Chilcott, Cabinet Member for Resources

Division and Local Member: All

1. Summary/link to the County Plan

- 1.1. At the July 2018 Audit Committee, as part of their Audit Findings Report, Grant Thornton, our external auditors made a number of recommendations for improvement in areas such as budget monitoring and setting.
- 1.2. In September 2018, when this tracker was first brought to Audit Committee, members confirmed that they wished to see this at every public meeting thereafter, to take the necessary assurance that suitable progress is being made to address these recommendations.

2. Issues for consideration

- 2.1. Members are asked to consider the tracker document and the progress to date (Appendix 1 to this report).
- 2.2. Members are asked to consider any further information that would provide further assurance that these processes are being improved at future Audit Committee meetings.

3. Background

- 3.1. In response to the 7 new recommendations made by the external auditor in July, a written management response was provided, and a number of commitments have been made to improve the processes.

These responses have been loaded in JCAD, our risk management system, which will be the necessary tracking and reporting mechanism, in a format that will be familiar to members from the regular Risk Management reports.

The external auditor's report and recommendations were primarily in relation to his concerns about sustainable resource deployment, which is a National Audit Office set criterion under his Value For Money work. Any decisions that will be necessary to rectify the current financial situation and to address the auditor's concerns about financial sustainability will follow the usual Cabinet and Scrutiny route, with decisions being taken according to the normal decision-making processes and following due consideration of impacts.

However, there is a key role for the Audit Committee (in its governance role) to ensure that the external auditor's recommendations are being responded to, and that the suitable processes are being implemented.

3.2. Since the November meeting, progress continues to be made in a number of areas as set out in the tracker. Members are asked to note in particular:-

- i) Robust control of the 2018/2019 in-year budget has resulted in the previously projected overspend being reduced and moved into a projected underspend. More detailed and transparent budget monitoring is now being provided, and the frequency of reporting, particularly to Scrutiny, has been increased to monthly. Additional detail will be provided for the Quarter 3 budget monitoring report.
- ii) All budget areas have been reviewed to ensure that the 2019/2020 budgets can be approved knowing that unavoidable pressures are being funded, and that previously undeliverable MTFP savings have been identified and reversed. There has been a deliberate move away from cross-cutting thematic savings to improve ownership of proposals that will come to members. The MTFP reporting will also include more information on expenditure to be met from Capital Receipt Flexibilities. Bespoke Scrutiny reports for each Committee have been created to further aid understanding and challenge of the 2019/20 budget proposals.
- iii) The rollout of budget management training to relevant officers has continued. The latest figures from the LGA trainer's courses is that 72% of the targeted group of budget holders have now attended the course. 91% of the attendees have rated the course as good or very good, and 95% said that the trainer delivered the content effectively and met the group's needs. Plans are now being put in place to train SCC staff to be able to run the course in the future, and to complete the remaining budget holders in the process.

4. Consultations undertaken

4.1. Officers hold regular meetings with the external auditor, where progress against these recommendations will now form a key part of the discussions.

5. Implications

5.1. A positive response to the recommendations made should be reflected in the external auditor's subsequent reports to the Audit Committee and should provide the benefits as set out in his July report.

In their report to the Audit Committee in July 2018, Grant Thornton concluded that they were "unable to state that Somerset County Council has proper arrangements in place to ensure sustainable resource deployment ...". They then issued an adverse 2017/18 value for money conclusion and stated that they had "considered the need to exercise our wider auditor powers. At this stage, we have decided not to exercise these powers, but will consider the need to issue a 'statutory recommendation' under section 24 (Schedule 7) of the Local Audit and Accountability Act, should arrangements at the council not improve and/or further significant overspends emerge during the course of 2018/19." Therefore, taking swift and decisive action as set out in this report is an essential part of the response to the Grant Thornton findings.

6. Background papers

6.1. External auditor's Annual Findings Report to Audit Committee and Management Response document from the Audit Committee meeting of 26th July 2018.

Note For sight of individual background papers please contact the report author