

South Somerset District Council

Minutes of a meeting of the **Audit Committee** held in the **Virtual Meeting using Zoom meeting software on Thursday 27 May 2021.**

(10.05 - 11.35 am)

Present:

Members:

Robin Bastable
Mike Best
Brian Hamilton

Mike Hewitson
Tim Kerley
Colin Winder



Officers

Nicola Hix	Director (Strategy and Support Services)
Karen Watling	Interim Section 151 Officer
Paul Matravers	Lead Specialist (Finance) / Deputy S151 Officer
Jill Byron	Monitoring Officer
Brendan Downes	Lead Specialist - People, Performance & Change
Alastair Woodland	Assistant Director, SWAP
Adam Williams	SWAP
Michelle Mainwaring	Case Officer (Strategy & Support Services)
Becky Sanders	Case Officer (Strategy & Support Services)

Also Present:

Barry Morris	Key Audit Partner, Grant Thornton
Beth Garner	Manager, Grant Thornton
Anton Sweet	Funds and Investment manager (SCC)
Derek Yeomans	Independent member

1. Apologies for absence (Agenda Item 1)

Apologies for absence were received from Councillors Martin Carnell and Paul Maxwell. Colin Winder was a substitute for Malcolm Cavill.

2. Declarations of Interest (Agenda Item 2)

There were no Declarations of Interest.

3. Public question time (Agenda Item 3)

There were no members of the public present.

4. Date of next meeting (Agenda Item 4)

The Chairman confirmed the next meeting would be on Thursday 29th July 2021 at 10:00am.

5. Consultation on Funding Strategy Statement (Agenda Item 5)

Anton Sweet introduced himself as the funds and investments manager at Somerset County Council (SCC). He briefly explained his role within the pension fund and gave an overview to members of the pension fund itself, some points included:

- The fund covers all local governments in Somerset.
- The fund currently has 68,000 members.
- It is a funded scheme.
- The fund is not legally separate from the council but is run as if it were. It has separate bank accounts and a separate scheme of delegation. The funds and investments manager reported directly to the Pensions Committee.

The Fund & Investments Manager (SCC) then explained the funding strategy statement is and its functions. It is refreshed typically every 3 years and viewed by the Pensions Committee. He highlighted to members the changes that would need to be implemented in the funding strategy statement due to government changes but explained that these did not apply to Statutory employers such as the district councils.

In response to question from members, the funds and investments manager (SCC) gave some of the following responses:

- The pensions fund manager did not report to Somerset County Council senior leadership team or the Cabinet. This was so that funds could not be used inappropriately. Cabinet members could not be members of the pension Committee.
- Trade unions collectively have a place on the pension committee so they would be aware of the consultation.
- There were not currently any provisions around climate change in the investment strategy. The strategy is currently under review.
- The fund is part of a pool called Brunel. They have a climate change policy to be carbon zero by 204 and has a commitment to reduce carbon intensity of its investments by 7% year on year. Thus started in march 2019. Brunel has significantly less fossil fuel investment than the market. They are considered forward thinking in terms of climate change and ethical investing.

There were no further questions from members and the Chairman thanked the Funds and Investments manager for attending the meeting.

RESOLVED: That SSCDC noted the new proposed Strategy Statement for the Somerset County Council Pension Fund shown in Appendix A of the agenda.

6. External Audit Plan for 2020/21 Accounts (Agenda Item 6)

The Key Audit Partner (Grant Thornton) presented the report which introduced Grant Thornton's Audit Plan for reviewing the Council's 2020/21 financial statements and the Council's arrangements for securing value for money. He drew member's attention to the introduction and key headlines of the report and pointed out that the council was required to prepare group financial statements now that Opium Power was a consolidated entity.

He highlighted the 5 significant risks that the Audit had identified in relation to the financial statements and explained that those would be the areas that would have significant focus of work.

He explained that there had been an increase in materiality over the prior year and that reflected the positive Audit findings. Many of the issues that had been identified were one off in nature and the council had responded positively to the Audit findings.

The fees in the report, that are still subject to approval, were slightly lower than last year due to the increased work around the Group accounts being introduced for the first time last year.

He drew member's attention to the Value for Money Risks, areas that were not currently risks, but would require particular attention. He highlighted the 3rd point relating to the local government reorganisation. Discussions were ongoing with officers due to some queries raised relating to the local referendum and Grant Thornton may be reporting on in the near future.

The Audit Manager (Grant Thornton) then continued to highlight key points of detail within the report to members, some of which included;

- Information on what the extended work over estimates will entail.
- Detailed calculation on how the materiality is determined.
- There would not be an annual audit letter. This was being replaced with an annual auditor's report. The value for money work would not need to be done at the same time as the financial statements audit.

In response to a member's question regarding the local poll query, The Key Audit Partner (Grant Thornton) explained that the audit team have to make sure that the council has followed due process and that value for money has been considered in relation to the local poll. This would be reported back to members in due course.

There was no further discussion and members were content to note the report.

RESOLVED: The Audit Committee noted the Audit Plan for 2020/21.

7. Internal Audit Plan 2020/21 Outturn (Agenda Item 7)

The Assistant Director (South West Audit Partnership) presented the report which updated members on the Internal Audit Plan 2020/21 Outturn and brought to member's attention any significant findings identified through the auditing work. He highlighted some elements of the report including:

- Limited assurance given to Income Generation Service Improvements due to the figures for 2019/20 not yet calculated.
- Audit committee to have oversight of the authority's counter fraud strategy. The baseline assessment was completed against 6 key themes. The areas that were amber will be revisited later in the year.
- Overview of audit plan progress, on track to complete for the year.
- There are no changes to the audit plan.
- 3 reviews still in progress and have moved along. Results will be fed back to the Audit committee.

In response to comments made, the Lead Specialist, Finance explained that the calculation to see if the income generation target has been achieved would be completed and the reporting ready for the July Audit meeting.

There was no further discussion and members were content to note the report.

RESOLVED: Members noted the progress made in delivery of the 2020/21 internal audit plan and the significant findings since the previous update.

8. Internal Audit Annual Opinion Report 2020/21 (Agenda Item 8)

The Assistant Director (South West Audit Partnership) presented the report which provided an update on the position of the Internal Audit Plan at the end of 2020/21. The report gives a view on the strength of governance, risk management and control in the organisation. He highlighted key points of detail including:

- Overview of work for the year. Controls and measures in place due to Covid19 given reasonable assurance.
- Overview of the work against the corporate risk register. Audits were aligned to the risks. Not all risks can be covered throughout the year.
- No significant risks identified throughout the year, an update was given on the cyber security review and this work that went into informing the annual opinion.
- Ways to roll out audit plan with feedback from audit members on views of updating the audit plan.

There was no discussion and members were happy to note the report.

RESOLVED: Members noted the Annual Opinion on the effectiveness of governance, risk management and internal control in the delivery of SSDC objectives.

9. Annual Treasury Management Activity Report 2020/21 (Agenda Item 9)

The Lead Specialist, Finance presented the report which reviewed treasury management activity and the performance against the Prudential Indicators for the 2020/21 financial year and in accordance with the Council's Treasury Strategy, Annual Investment Policy and Treasury Management Practices. He explained that this report dealt with the treasury investments only. A Commercial Investments report would go to the District Executive.

He drew member's attention to the summary of the treasury management position, and explained that the net position had gone from 47 million to 72 million. The increase was due to the in-year borrowing. He explained that the S151 Officer had requested that the council's treasury advisors Arlingclose, look at alternative borrowing options as there had been a revision to the PWLB lending criteria. A report would be brought back to Committee at a later date.

The Lead Specialist, Finance then highlighted further key elements within the report and talked through points of detail including paragraphs 19, 24, 34, 38, 50.

There were ongoing consultations with the Prudential Code and Treasury Management code. A report will be brought to committee with the outcome of those consultations and the impact this may have on investments.

In response to comments from a member, the S151 officer explained that the Opium accounts will be part of the group accounts within the statement of accounts. This will come to Audit Committee later in the year.

There were no further comments and members were content to note the findings.

RESOLVED: That Audit Members;

- Noted the Treasury Management Activity for the 2020/21 financial year
- Noted the position of the individual prudential indicators for the 2020/21 financial year
- Noted the outlook for the investment performance in 2020/21
- Noted the Council operated within all of the Prudential Indicators during 2020/21
- Recommend the 2020/21 Treasury Management Activity Report to full Council.

10. Risk Management Update (Agenda Item 10)

The Lead Specialist, People, Performance and Change presented the report which informed committee of the status of the Strategic and Category Risks as at 1st April 2021, and provided an update on risk management arrangements across the authority. This was a partial update due to the impact the pandemic has had capacity of officers to support this work, and also the significant changes to the risk owners within the senior management team and leadership team.

He highlighted the Health and Safety risks within the risk summary on page 156 of the agenda and explained that improvements were being made with the controls of those risks that should reduce the residual rating. They appeared high on the register due to the SWAP recommendation to re-score the potential impact to 5.

Staffing and capacity risks were being reviewed in June relating to staff retention and engagement. The Covid19 risks would look to be reduced and integrated into the main register over the next quarter.

Provisional findings from the recent SWAP audit showed no significant issues, however some work was needed around assessing the risks that were above appetite and also a review and refresh of risk training was needed within the organisation.

In response to comments raised from members, the Lead Specialist, People, Performance and Change explained the phosphates problem within planning was a current issue being looked at by a project team, but that he would look into the potential risk with relevant officers in more detail.

There was no further discussion and members were content to note the report.

RESOLVED: That Audit Committee noted;

- The risk management arrangements in place and provided comment.
- The status of the risk registers at 1st April 2021 as summarised in Appendix 1.

11. Review of the Audit Committee's Terms of Reference (Agenda Item 11)

The Chairman presented the report which was looking to establish a working group to review the committee's Terms of Reference (ToRs). The Chairman and Vice Chair of the Audit committee had volunteered to be part of the group and the S151 Officer was looking for any other members that would be interested in volunteering to be part of the working group.

In response to a question from a member it was agreed by the S151 Officer and Monitoring Officer that any member within the council could volunteer to join the working group.

There was no further question and members were happy to agree to establish the working group.

RESOLVED: Members agreed to establish a working group to review the Terms of Reference.

12. Audit Committee Forward Plan (Agenda Item 12)

There were no comments and members agreed to note the forward plan.

RESOLVED: That the Audit Forward plan be noted.

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Chairman