

Minutes of a Meeting of the Audit Committee held in the John Meikle Room, The Deane House, Belvedere Road, Taunton TA1 1HE, on Thursday, 30 May 2024 at 10.00 am

Present:

Cllr Mike Hewitson (Chair)

Cllr Simon Carswell
Cllr Mandy Chilcott
Cllr Tim Kerley
Cllr Gwil Wren

Cllr Norman Cavill
Cllr Simon Coles
Cllr Rosemary Woods

In attendance:

Cllr Liz Leyshon

Other Members present remotely:

Cllr Dawn Johnson
Cllr Bill Revans

Cllr Frances Nicholson

The Chair, Cllr Mike Hewitson, advised the Audit Committee of changes to the Audit Committee Membership, and welcomed Cllr Rosemary Woods to the meeting.

New Membership:

Cllr Rosemary Woods - replacement for Cllr Steve Ashton

89 Apologies for Absence - Agenda Item 1

Apologies were received from Cllr Lee Baker, Cllr Mike Caswell (attended virtual online), Cllr Habib Farbahi and Cllr Andy Sully (attended virtual online).

90 Minutes from the Previous Meeting - Agenda Item 2

The minutes of the Audit Committee meeting held on 28 March 2024 were agreed upon and signed by the Chair.

91 Declarations of Interest - Agenda Item 3

Cllr Rosemary Woods declared receipt of a Somerset County Council Pension in relation to agenda item 6.

92 Public Question Time - Agenda Item 4

No public questions or statements were received.

93 External Audit Findings Report and Audit Conclusion for South Somerset District Council 2022/23 - Agenda Item 5

The Chair welcomed the Director and PSA Head of Audit Quality - Regulation, Audit Grant Thornton UK LLP, Barrie Morris.

The Director and PSA Head of Audit Quality - Regulation, Audit Grant Thornton UK LLP, Barrie Morris, presented the report, highlighting: the details of why the External Audit Findings Report and Audit Conclusion for South Somerset District Council (SSDC) 2022/23 had not been completed and finalised; the ongoing work and commitment from Grant Thornton and Somerset Council to compete and finalise the audit and confirmation that the audit would not be available for consideration at 27 June 2024 Audit Committee meeting.

The Head of Corporate Finance, Ben Bryant, further added to the above points, highlighting: the planned work, including increased internal experienced resources to work on the delivery and completion of the External Audit Findings Report and Audit Conclusion for SSDC 2022/23; the impact and focus on the Somerset Council 2023/24 accounts; and thanked the Grant Thornton team for the collaborative and positive work throughout the process.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The loss of organisational memory and experience, and the challenges and impact on processing information for the audit – *The Chair expressed concern regarding the management of the transfer of people in and out of the Council, and the importance of taking lessons learned forward to manage issues and function well as a Council.*
- The reporting and processing of adjustments from South Somerset District Council accounts into the Somerset Council 2023/24 accounts.
- The impact of dissolution of Parliament on the current national backstop proposals to address local audit backlog.
- The Chair requested regular updates on the External Audit Findings Report and Audit Conclusion for SSDC 2022/23 progress – *The Executive Director Resources and Corporate Services, and the Director and PSA Head of Audit Quality - Regulation, Audit Grant Thornton UK LLP communicated their commitment to finalising and completing of the SSDC accounts as soon as possible.*

The Audit Committee received and noted a verbal update on the External Audit Findings Report and Audit Conclusion for SSDC 2022/23.

94 External Auditors Indicative Audit Plan for Somerset Council for 2023/24 - Agenda Item 6

The Chair welcomed the Public Sector Audit Director, Grant Thornton UK LLP, Grace Hawkins.

The Director and PSA Head of Audit Quality - Regulation, Audit Grant Thornton UK LLP, Barrie Morris, introduced the report, highlighting the planning and the outstanding work of the current indicative audit plan, including identification of risks, and the introduction of new risks for a new Council; and that any significant matters, as a result of finalising the planning work, to be reported back to the Audit Committee.

The Public sector Audit Director, Grant Thornton UK LLP, Grace Hawkins, presented the report, highlighting: that the report set out the external auditors' audit plan and approach to delivering the Audit Findings Report and External Auditors Annual Report for 2023/24; summarised the significant risks on the financial statements, including the evaluation of property, valuation of pension, management override of controls and two new Council specific risks - accounting for local government reorganisation and new system implementation; the evolving value for money work and the review throughout the year; and the provisional audit timetable and the communication and work with Somerset Council Officers to keep track of progress.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The management over-ride of controls, effectiveness of management controls, usual and unusual activity and transactions analysis - *The Director and PSA Head of Audit Quality - Regulation, Audit Grant Thornton UK LLP explained the mandatory review of controls and audit process focus, level of testing and control environment analysis undertaken as part of the external audit.*
- The risk of significant value for money weaknesses, Legacy Council reporting and the incorporation of findings and impacts on the Somerset Council Audit 2023/24 - *The Head of Corporate Finance provided information of plans and work on the detailed risk analysis of the value for money programme. The Executive Director Resources and Corporate Services undertook to confirm completion of the former Mendip District Council Annual Auditors Report.*
- The escalation and complaints policy informal and formal route for the External Auditor and Somerset Council, including over due accounts and performance - *The Chair expressed the importance of timely communication and discussion of any audit or performance concerns.*

The Audit Committee noted the External Auditors (Grant Thornton) Audit Plan for Somerset Council 2023/24.

95 Joint Auditors Annual Report – Management Responses - Agenda Item 7

The Interim Finance Governance Lead, Sian Kenny, presented the report, highlighting: that at its meeting in January 2024, the Audit Committee were presented with Grant Thornton's Joint Auditor's Annual Report to Somerset Council 2022/23, which included a summary of findings and recommendations, accompanied by the Council's management response; that the report provided an update on progress and a detailed action plan developed to address the recommendations; that the progress of actions to be monitored by the Performance, Risk and Budget Board (PRBB); that the action plan will be monitored in the Ideagen system; the 25 actions associated with the seven key recommendations; and that an update on progress against the improvement recommendations will be provided at future Audit Committee meetings.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The clear and helpful style, presentation and format of the action plan to visually track the progress of issues and helpful use of cover reports to separate agenda items.
- The end of year action delivery due dates - 31st of March 2025, the detailed communication with senior officers responsible for delivering the actions.
- The financial sustainability developing and delivering mitigating actions to manage demand and costs in relation to Children and Adult Services and the differences in progress to embed and deliver the transformation programme.
- The continuing developing financial process relating to interfaces, invoice payments and data validation, including development of interface dashboard extraction of data.
- The governance (internal and external), level of challenge and detailed information held in the system to record and inform the progress report against the actions and the work to develop the system to incorporate risk and improve efficiency of finding and connecting information.
- The sharing of PRBB information and recommendations - *The Chair, PRBB, undertook to provide regular PRBB updates to the Audit Committee Chair and Vice Chair.*
- The regular reporting of procurement waivers to Audit Committee – *The Clerk, Audit Committee undertook to add to the Audit Committee workplan for 2024/25.*

- Progress against the Recommendations of the Interim Auditor's Annual Report 2022/23 reporting frequency - *The Clerk, Audit Committee undertook to add to the Audit Committee workplan for 2024/25.*

The Audit Committee noted the progress made against the actions in relation to the Key Recommendations of the report.

96 Progress Report of the 2023-24 Internal Audit Plan - Agenda Item 8

The Chair welcomed the Assistant Director SWAP Internal Audit Services, Alastair Woodland.

The Assistant Director SWAP Internal Audit Services, Alastair Woodland, presented the report highlighting: the independent objective assurance provided by the internal audit plan through the approved internal audit plan; reported that under internal audit standards it was necessary to inform the Audit Committee of resources implications impacting the delivery of the plan with the exit and recruitment of 2 members of staff; that the report was the final update for the 2023/24 audit plan; summarised the progress and position of the internal audit plan, including the outstanding in progress Health and Safety audit recommendations, the whistleblowing policy and awareness, school condition surveys, and asked that the Audit Committee note the advisory position of Homes England Capital Funding Grant due to two recommendations from Homes England that are required to be completed by the end of August 2024, and advised of the associated work with the Communities Service to ensure the recommendations are implemented and the evidence forwarded to Homes England; and that the outstanding progress reports to be clearly marked 2023/24 and appended to the 2024/25 Internal Audit Plan.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The current position for delivery of audit actions and the number of outstanding items and position of priority one items – *The Assistant Director SWAP Internal Audit Services, advised the Audit Committee of the work with the Council through the restructure and change to ensure governance and ownership of recommendations.*
- School condition programme government funding spending, including work and priorities – *The Executive Director Resources and Corporate Services undertook to request a written response to Cllr Mandy Chilcott, from relevant Service Directors.*
- Outstanding in progress Health and Safety audit recommendations - *consideration addition of a presentation to Audit Committee forward plan – Chair / Vice-Chair.*

The Audit Committee noted the position of the 2023-24 Internal Audit Plan.

97 Strategic Risk Management Update and Plan - Agenda Item 9

The Equalities and Risk Manager, Angela Farmer, presented the report, highlighting: that the report reflected on the current position of Somerset Council in its approach to risk management and referenced the current suite of strategic risks as of May 2024; that in order to facilitate closer alignment between risk and performance, the risk management service had moved to the Strategy, Performance and Workforce Directorate; that a new system (Ideagen) to be used for the management of both performance and risk at Somerset Council and the phased transition from JCAD to Ideagen; the review and identified changes of the committee report template submitted to Democratic Services for consideration; provided a snapshot of the risk reporting across a number of committees; the revised Risk Scoring Matrix, with a further review early 2025.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- Local Government borrowing and the approach to finance debt, including the inherited position of Somerset Council, change in Government policy, the impact of external factors such as inflation, and the capitalisation directive.
- The welcome comprehensive risk report and thanked officers for their work to improve risk reporting and consistency of presentation - *The Equalities and Risk Manager to update risk scores for ORG0066, ORG0068 & ORG0070.*
- The limited information of the Ideagen system, and the omission of why the transition from JCAD to Ideagen, and what it will deliver.
- The current downgrading of the risk for ORG0070 Budget overspend from critical to major, including the significant budget overspends in current financial year 2023/24, use of reserves, delivery of the financial plan, the dynamics of the risk and impacts of both internal and external factors on the budget.
- ORG0064 General housing – failure to maintain delivery of affordable housing through third parties (registered providers) and direct Council delivery, including phosphates position and commercial property sales to fund debt.
- Revised Strategic Risk review plan for consideration September 2024 - *The Clerk, Audit Committee undertook to add to the Audit Committee workplan for 2024/25.*

The Audit Committee noted:

- **The use and approach to risk identification in committee reports,**

- using those reports submitted in March as a snapshot month.
- o The changes identified in the committee template.
- o The revised Risk Scoring Matrix.
- o The current strategic risks for Somerset Council set out in Appendix Two of the report.
- o The change from JCAD Core® Enterprise Risk Management system to Ideagen Risk Management Solution.
- o The refresh of the Strategic Risk register that is underway.

98 **Audit Committee Annual Report to Full Council - Agenda Item 10**

The Audit Committee received the draft Audit Committee Annual Report to Full Council from The Executive Director Resources and Corporate Services, Jason Vaughan.

The Chair, Audit Committee and the Executive Director Resources and Corporate Service, Jason Vaughan, acknowledged and thanked the Audit Committee for their hard work throughout the year, maintaining a tough work rate and positive attitude through the review of ten sets of accounts and the financial emergency.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- Cllr Mandy Chilcot asked the Assistant Director SWAP Internal Audit Services, Alastair Woodland, if there were any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments – *The Assistant Director SWAP Internal Audit Services confirmed that there were no impairments for the role that he needed to declare.*
- Qualifications, range of skills and valid experience of Audit Committee Members - *The Assistant Director SWAP Internal Audit Services undertook to amend the report with the experience / qualifications of Audit Committee members.*

The Audit Committee considered and commented on the Somerset Council Audit Committee Annual Report 2023-24 and recommended it for review and consideration to Full Council at the next available meeting.

99 **Improvement and Transformation Risk Report - Agenda Item 11**

The Audit Committee received the Improvement and Transformation risk report from the Chief Executive, Duncan Sharkey and Digital Programme Manager, Strategy and Performance, Louise Routley.

The Digital Programme Manager, Strategy and Performance, Louise Routley, presented the report highlighting: the new Council transformation approach to

establish the foundations to enable future organisational wide change necessary for financial sustainability and implementation of the new organisation and design; that risk management is a core part of the programme management approach applied to the Improvement and Transformation programme with the intention of regular reporting back to the Audit Committee; summarised the current nineteen risks within the risk register, provided an update on the RAG ratings and mitigating scores; and the next steps to align programme and corporate risk approach.

The Chief Executive, Duncan Sharkey, further added to the above points, highlighting the dynamic reporting of the Improvement and Transformation programme risks as the programme develops and is implemented.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The capitalisation direction process, actions and the use of capital receipts flexibility policy.
- Transformation and Strategic risks of the reduction / loss of experienced and skilled personnel and organisational memory – *The Chief Executive informed the Audit Committee of the knowledge retention and transfer toolkit being developed to capture and retain organisational knowledge.*
- The Digital transformation systems plans, and rethinking the way the Council works and delivers services.
- The need for consistent risk reporting and improved information accessibility – *The Digital Programme Manager, Strategy and Performance undertook to update the accessibility of the report.*
- The non delivery of MTFP savings and mitigating factors for the Implementation and Transformation Programme, including resource planning, delivery of projects and the approach to monitoring forecasted savings to enable early identification of the impact savings and mitigation activity.
- The insufficient budget to fund redundancies risk, including the delay in receiving an outcome from the Department for Levelling Up, Housing and Communities (DLUHC), the use of flexible use of capital receipts, commercial and non commercial assets disposal to fund the redundancy programme.
- The scale, complexity and pace of the programme and the challenges and the impact and issues of balancing and managing interdependent and compound risks.
- Timely communication of the new structure to council employees, implementation timescales, the focus on savings and culture, and the work on a target operating model.

The Audit Committee noted and commented on the key risks associated with

the Improvement and Transformation Programme set out in Appendix 1 of the report.

100 My Life, My Future: Adult Social Care Transformation Programme Update Report - Agenda Item 12

The Audit Committee received the My Life, My Future: Adult Social Care Transformation Programme Update report

The Executive Director Adult Services, Mel Lock, presented the report, highlighting:
the transformation work underway across the Adult Social Care service in Somerset, called the 'My Life, My Future' Programme and that overall, the programme is on track to deliver financial benefits between the low and the high scenarios set out at the start of the programme, including the cumulative effect of delivering the service and people leaving the service, increased completion of work and assessments, and work on productivity and how to deliver better services; progress to date of the workstreams on reablement, outcomes from decision making, data, visibility and control and progression and enablement, preparing for adulthood and summarised the key risks & issues impacting programme delivery.

The Audit Committee asked a number of questions and made a number of comments:

- The tracking of performance and indicators of the programme, including frequency of monitoring, forecasting, Projected MTFP contributions 2024/25 and annualised savings and expected improvement.
- Risk reporting and information accessibility – *The Executive Director Adult Services undertook to update the accessibility of the report.*
- The end of the programme Newton support and capacity to sustain savings and performance delivery, including the work to embed the identified new ways of working.
- Case studies and transition from child to adulthood progressive model of support.

The Audit Committee considered, commented on and noted the report.

101 Update on reviews of Contract Management - Agenda Item 13

The Audit Committee received the update on reviews of contract management report.

The Strategic Manager Commercial and Procurement, Gary Coleman, presented the report highlighting: the findings of the three external contract management reviews from SWAP contract management audit, DLUHC - Procurement

Improvement Planning Support and Contract Management Pioneer Programme; summarised the general findings and contract management activity, responses and actions to the review recommendations, including, an update on the appointment of a Senior Responsible Officer and the implementation of a new governance structure – dependent on the current Council re-structure, the increased engagement with contract management across the Council, the tiering of contracts, establishment and activity of spend control boards, the development and work on a new procurement strategy and the implementation of changes of the Procurement Act 2023; the move to a single contract register and training for contract managers; and the update of the Councils approach to securing social value through contracts, will be supported by a new system, LOOP, currently being implemented to record, monitor, and report Somerset Council social value progress, in partnership with our local NHS colleagues to allow bespoke reporting of social value enabling tracking and reporting of achievements.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The welcome single contract register and future insight to show pressure in relation to simultaneous work on multiple large contracts.
- The welcome new Loop system to record, monitor and report social value and the action should social values agreed not be delivered.
- The contract manager list and register currency – *The Strategic Manager Commercial and Procurement advised the Audit Committee of the ongoing upkeep and continual review of the list, and the challenges faced and due to the current transition of personnel.*
- The helpful procurement and contract management training and guidance available for Members.
- The proposal of mandatory contract manager training, contract management briefing sessions bookings, delivery and attendance – *The Strategic Manager Commercial and Procurement undertook to circulate Government Commercial College contract management training numbers to the Audit Committee members.*
- The results of the SWAP Contract Management Audit Survey January 2023 and re-run of the survey to benchmark position – *The Assistant Director SWAP Internal Audit Services confirmed an audit for contract management is scheduled in the Audit Plan for 2024/25 and a rerun of the survey to be included in the scope of the audit, with a view to report to Audit Committee May 2025. The Clerk, Audit Committee undertook to add contract management audit survey results to the Audit Committee workplan for May 2025.*
- The impact and recommendations of the Procurement Control Board on savings and Council behaviours and cashflows, including level of savings,

the review of format through transformation and change.

- SWAP survey results of inconsistency in contract management activity, including the resilience checklist, increased contract manager engagement to deliver performance monitoring and contingency planning for contracts and the use of Creditsafe to track contracts.

The Chair proposed, and Cllr Mandy Chilcott seconded, the following recommendation:

That the contract management framework document be updated to reflect that contract management training is mandatory for all individuals managing contracts, including:

- Contract managers within the organisation to undergo the organisation contract management training within three months of taking up the post.
- that existing contract managers to complete the organisation contract management training.

Following consideration of the officer report, appendices and discussion, the Audit Committee noted the report and agreed:

The contract management framework document be updated to reflect that contract management training is mandatory for all individuals managing contracts, including:

- **Contract managers within the organisation to undergo the organisation contract management training within three months of taking up the post.**
- **that existing contract managers to complete the organisation contract management training.**

102 Aged debt 2023/24 outturn position – Sundry and Revenues - Agenda Item 14

The Audit Committee received the Aged debt 2023/24 outturn position – Sundry and Revenues report.

The Head of Corporate Finance, Ben Bryant, presented the report, highlighting: that the report provided an overview of the sundry and revenues aged debt position for 2023/24; summarised the sundry and revenues aged debt position performance information against relevant benchmarks and a description of the journey following unitarisation and implementation of the new finance system, Microsoft D365; the significant recovery position from mid quarter three to the year end; that sundry and revenues income management and debt recovery is currently managed in multiple systems, processes, approaches and different areas of the workforce and the action plan and timeframe to mitigate this and move forward to a single unitary position.

The Audit Committee asked a number of questions and made a number of

comments which were responded to at the meeting, as follows:

- Council Tax and Business Rates billing and collection practices, including processes, intelligence and knowledge base loss, the separate systems and processes used and the varying performance across the systems – *The Executive Director Resources and Corporate Services provided national Council Tax collection comparison and advised the Audit Committee of the key priority to consolidate and align processes, and deliver efficiencies and best practice across the service. The Head of Corporate Finance further advised of the work to refresh the Income Code of Practice, to be presented to Audit Committee for review and consideration during 2024/25.*
- The Housing Benefit overpayment: £2.8m total debt – *The Head of Corporate Finance undertook to circulate housing benefits full outstanding debt position report.*

The Audit Committee considered the aged debt 2023/24 outturn positions, commented on the identified action plan and noted the report.

103 Revised Treasury Management Strategy Statement for 2024/25 - Agenda Item 15

The Audit committee received the Revised Treasury Management Strategy (TMS) Statement for 2024/25.

The Service Manager Investments, Anton Sweet, presented the report highlighting: that a TMS Statement for the 2024/25 year was approved by Full Council at their meeting 20 February 2024; that when the current TMS Statement was developed, the Gravity Project with respect to the creation of gigafactory near Puriton had not reached sufficient development such that treasury implications of the project could not be included in the TMS; that the project is now sufficiently advanced that a revised TMS should be considered; that the majority of the original TMS is still fit for purpose, however it is envisaged that additional borrowing by the Council will be required, the need for the Council to take additional debt means that there is no longer sufficient headroom in certain prudential indicators that were approved as part of the current TMS for 2024/25 this report sets out the new prudential indicators, referred to as the operational debt boundary and the authorised limit; the TMS Statement to be considered by Executive and Full Council at the next available meetings.

The Executive Director Resources and Corporate Services, Jason Vaughan, further advised of the impact of the dissolution of Parliament and Election and continued work with Civil Servants to finalise Gravity Project funds.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The TMS Statement considered at Scrutiny Committee Corporate and

Resources 29 May 2024 – *The Head of Corporate Finance undertook to add the Scrutiny Committee Comments to the Executive and Full Council Reports.*

The Audit Committee recommended that Full Council approve the change to the Treasury Management Strategy, and to adopt the Prudential Treasury Indicators as set out in the report.

10 Treasury Management Annual Report 2023-24 - Agenda Item 16
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The Audit Committee received the Treasury Management Annual Report.

The Principal Investment Officer, Alan Sanford, presented the report, highlighting: that the report summarised the treasury management activity of Somerset Council for the financial year 2023-24, in compliance with all relevant statutes and guidance, including the CIPFA Code of Practice and the Local Government Act 2003; and summarised the cash flows, borrowing, treasury investments, and the management of associated risks.

The Audit Committee approved the report as being in compliance with the CIPFA Code of Practice for Treasury Management and recommended it to Executive, then Full Council at their next available meetings.

105 Audit Committee Workplan - Agenda Item 17

The Audit Committee discussed the workplan, recognising the emerging risk issues alongside business as usual operating risks, the complexity of the first Somerset Council Audit and the ongoing management and planning for items on the workplan for the meeting agendas for 2024/25, to allow for detailed discussion of items.

Due to the External Audit Findings Report and Audit Conclusion for South Somerset District 2022/23 not being available for the 27 June 2024 Audit Committee meeting, the Chair undertook to take Officer views on cancelling the meeting.

The Executive Director Resources and Corporate Services undertook to review the CIPFA code of Practice and the Audit Committee annual report to identify any Audit Committee work or development gaps or actions.

Add to workplan (date tbc)

Procurement Waiver review

Contract Management Survey results - May 2025

Progress against the Recommendations of the Interim Auditor's Annual Report 2022/23 (all meetings)

Review of Income Code of Practice

Improvement and Transformation Risk Report

External Audit Findings Report and Audit Conclusion for South Somerset District Council 2022/23

Revised Strategic Risk review plan for consideration

The Audit Committee reviewed and noted the Audit Committee Workplan.

(The meeting ended at 2.30 pm)

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CHAIR