

## **AUDIT COMMITTEE**

Minutes of a Meeting of the Audit Committee held in the Library Meeting Room, Taunton Library, on Thursday 28 March 2019 at 10.00 am

**Present:** Cllr C Aparicio Paul (Chair), Cllr G Verdon (Vice-Chair), Cllr M Caswell, Cllr H Davies, Cllr B Filmer, Cllr L Leyshon, Cllr G Noel and Cllr M Rigby.

**Other Members present:** Cllr M Chilcott and Cllr M Keating.

### **Apologies for absence:**

#### **114 Declarations of Interest - Agenda Item 2**

In respect of agenda item 7, Cllr Verdon declared a personal interest as she held a contract with Grant Thornton.

#### **115 Minutes from the previous meeting - Agenda Item 3**

The Committee agreed that the minutes of the meeting, held on 31 January 2019 were accurate, and the Chair of the Committee signed them.

#### **116 Public Question Time - Agenda Item 4**

There were no members of the public present, and hence no questions asked, statements/comments made or petitions presented.

#### **117 Internal Audit Plan and Charter 2019/2020 - Agenda Item 5**

The Assistant Director of the South West Audit Partnership (SWAP) introduced this report, that set out a summary of the proposed audit coverage that the internal audit team planned to deliver throughout the 2019/202 financial year.

Members noted that in order to develop an appropriate risk-based audit plan, SWAP had held meetings and consulted with the Council's senior leadership team management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

Member considered the report and there was a question about the order in which the Audits would be processed and it was explained that Audits were allocated in sequence at a time judged to be most appropriate. In addition it was explained that if a high priority Audit emerged this could change as a low priority Audit could be deferred. It was confirmed that the Audit held some spare capacity and the current resources were thought to be adequate. All audit days had been allocated.

There was a question about the Audit sponsor and it was stated that this referred to the designated manager with overall responsibility for that area. This person would help to shape the scope of the work but would not then be involved when the Audit progressed.

Members asked about how SWAP liaised with Officers to plan the Audit for the coming year and it was noted that the process for putting the plan together began last January. The Auditors met with the Council's Senior Leadership Team (SLT) and they reviewed the Strategic Risk Register and Corporate Plan and national issues were all considered. It was acknowledged there were many possible areas that could be Audited and the chosen Audits would reflect and follow on from previous year's work.

Members sought and received assurance there was appropriate staffing, and Members noted that interaction with strategic managers was on-going. The Plan was flexible and liaising with SLT occurred on a quarterly basis and was reviewed during the year. New Audits could be added to focus on emerging high-risk areas and there was capacity to deal with the unexpected. It was also suggested that being 'Audited' was now viewed as a positive intervention.

The Committee welcomed the report.

#### 118 **Report of Internal Audit Activity - Agenda Item 6**

The Committee considered this report introduced by the Assistant Director of SWAP that provided a thorough overview and general update of the progress made against the 2018/19 Audit Plan. It was stated that good progress had been made and the overall audit was now ahead of those in other authorities and it was envisaged that the Annual report would show the plan had been completed.

It was noted since the last report 2 completed Audits had returned partial opinion assurances. A concern with a financial aspect relating to a lack of validation for payments had been reported in Adult placements. This had been due to a gap in arrangements following a restructure which had created a lack of consistency. Previously financial agreements were manual resulting in a lack of an audit trail on the AIS system. An electronic solution had been recommended.

The other partial opinion concerned Health & Safety: Premises Management and it was noted that a number of central approved controls had been put in place and good practice had been identified. A follow up audit had checked on compliance regarding statutory inspections and statutory inspection records were inadequate, in relation to fire safety certificates etc. It was also reported that some risk assessments had not been completed and the B-Safe system was not being used consistently, and this made overall monitoring difficult.

There was a discussion of the 2 partial audit opinion and it was noted that the Council adopting the Corporate Landlord approach would centralise record keeping and be an opportunity to strength and standardise controls. As each premise had a responsibility for its own system the B-Safe system had not been mandatory, but the new approach would help to standardise practices.

Attention was drawn to the overview of the Audit work being undertaken, included as Appendix B of the report, which included details of the Audits completed since the last report that had received Partial findings. It was noted

that the process for finding and securing a replacement when an Audit was deferred had improved.

The Committee accepted the report and suggested that the Scrutiny for Policies and Place Committee might want to consider scrutinising the Health and Safety: Premises Management – Corporate Properties partial audit opinion.

**119 External Audit progress report and sector update - Agenda Item 7**

The Committee considered this report introduced by the External Auditors Engagement Lead which summarised the work of the External Auditors since the last report. An overview was provided of the Financial Statements Audit, the Value for Money work which included informed decision making, sustainable resource deployment and working with partners and other third parties.

Members noted the key finding of the interim work, and it was reported there had not been any findings of significance. In response to a question that External Auditor confirmed they had been able to access all the information required to enable them to complete their work towards this year's Annual report. This had been helped with regular meetings with officers to ensure the audit process was as smooth and effective as possible.

There was a brief discussion on the issue of Journal entry and controls as there was no second authorisation. In response it was heard there were controls and mitigations to provide additional assurance, commensurate to address any risk and the External Auditors confirmed that a lot of testing on journals had never detected any problems.

There was a discussion about the work of the External Auditors and the timeliness of highlighting potential problems. It was noted that previous reports had contained narrative explaining the context of the Council's financial position and concerns about the direction of travel.

It was noted that given what some observers saw as the culpability of Auditors in connection with (private sector) business failures there had been lots of discussion about the role of the auditor. It was noted that the Value for Money opinion was not all encapsulating, and although it was an aspect of the External Auditors work unique to the public sector, some commentators thought it was not detailed enough to provide adequate reassurance.

It was noted that there was the potential for the External Auditor to conduct some 'Financial foresight' work and as this work was outside of the scope of the main Audit like any other work it would have to be approved and then be available, but at an extra cost. The Chief Accountant confirmed that officers held frequent meetings with the Auditors and this had helped with enhanced budget monitoring and budget setting.

There was a question about the Audit of the Pension Fund's accounts and Members heard the External Auditors, were also the Auditors for the Brunel Partnership, in to which the Council's Pensions Fund was now being pooled. It was noted that the Auditors were considering how best to get assurance of the

investments and understand the changed arrangements in respect of the Fund's custodian and to this effect the External Auditors had written to Brunel to seek assurance from them.

The Committee asked that the leadership of the Council acknowledges and appreciates the excellent work of internal and external auditors in the financial position of the Council. The Committee also asks that the Cabinet and SLT ensure that the robust work of auditors continues at an appropriate level.

The Committee accepted the report.

## 120 **Value For Money Trackers** - Agenda Item 8

The Committee considered this report that provided details of the value for money tracker, first considered by the Committee at its meeting last September, following recommendations from the Council's External Auditors on how to improve both budget monitoring and setting.

It was reported that following the 7 recommendations made by the External Auditor written responses from the Council had been provided regarding each, and several commitments had been made to improve the processes. Those responses had subsequently been loaded in JCAD, the Council's recognised tracking and reporting mechanism for risk management, so that a format like the regular risk management reports was used.

Members heard that quarterly budget monitoring reports would be presented to Cabinet and Scrutiny meetings, to improve visibility and understanding for all Members and it was stated that the underlying position was improving but not as secure as Officers would wish. The changes to the Council's budget setting process were noted which included ensuring all previously identified savings were deliverable and figures now included inflation, pay increases and increments.

Members wanted to know if the problems of last year could be avoided and what measures were being taken to ensure the Council's finances were more sustainable. It was stated that since last summer finance had been taken seriously by the organisation and was more visible with monthly monitoring meetings now being held with a clear focus and the Council's Senior Leadership Team holding weekly meetings. This had been reflected in improved record keeping on JCAD.

There was a discussion of the report and it was noted that since the last meeting in January, progress continued to be made in a number of areas as set out in the tracker. Members are asked to note in particular:

- Robust control of the 2018/19 in-year budget resulted in the projected overspend reported to Cabinet in month 4 being reduced to a projected underspend in month 8. This projected underspend had continued at broadly the same level in months 9 and 10. The more detailed, frequent and transparent budget monitoring would continue to both Cabinet and Scrutiny each month. The Quarter 3 budget monitoring report included the addition of charts showing the trend in budget variations, in total and

by services that provided a simple, visual summary of the movements across the year to date. This had been well received by Members.

- After a detailed MTFP process, and thorough scrutiny at each Committee in January, the 3-year MTFP was presented to and agreed by Cabinet and then Council in February 2019. The report included considerable details of the budget being proposed, highlighting where there were changes from the previous MTFP and drawing out implications for the longer-term financial resilience.
- Since mid 2018 there had been monthly progress up-dates to track and review progress against the value for money tracker. The outgoing Interim Director of Finance had a final detailed conversation in February 2019 (alongside a handover with the incoming Interim Finance Director) and the incoming Interim Finance Director had also met with external audit in March. Regular meetings would continue to be held as the organisation made further progress.

The Committee agreed to accept the report.

## 121 **Risk Management and Internal Audit Partial opinion update** - Agenda Item 9

The Committee considered this report introduced by the Council's Risk Manager. She began by drawing Members attention to Appendix A of the report which contained the Strategic Risk Register (SRR). The report contained a 'heat map' that showed the movement in severity/priority of any individual strategic risk since the report to the January meeting.

Referring to Appendix A it was noted that any date in red font meant that it was overdue. There had been a single change to the SRR, that being ORG43 which now had a score of 16 from a previous score of 25. It was explained that this was because the risk was still judged as being likely but that the impact of such a risk would be less.

There was a discussion of the SRR and it was asked why if ORG43 had been judged to still be likely how at the same time the impact of the risk had been reduced. It was noted that although progress had been made in improving the Council's financial position this work was part of an on-going process and remained a key focus and Officers wanted to see improvements continue and further savings being achieved before lessening the likelihood of the risk. The impact of ORG43 had been judged to be less because of the Council's underspend and the positive impact that had on the overall reserves.

There was a question relating to the Council's budget monitoring reports and it was noted that some negative reserves had been finalised, including the Learning Disabilities negative reserve. The figure arising from Adult Services had been the result of an underspend rather than savings and this had boosted the Council's reserves.

Members were reminded that JCAD, the system used to monitor the Council's risk database, was a live system and so was reviewed and updated constantly. It was noted that Officers were required to provide update information in JCAD,

in response to recommendations from each partial audit. The report showed that management reviews were still outstanding in respect of 6 partial audits. It was known that some of this work had been completed but it was emphasised that it remained important to record this in JCAD.

Overall it was noted that there was an improved picture with reviews and actions, and members confirmed they still wished to see a specific detailed update on ORG43 in each report.

There was a question about outstanding debts at the end of the financial year and how this was reflected. It was stated that for each invoice raised that an assessment is made at years end on how much would be recoverable based on the income code of practice, to ensure it was not over stated. In response to a further question it was confirmed that the Council did not use bailiffs, and the debts were not written off but the circumstances of each debtor was considered.

Members sought and received assurance on the question of resilience of the Council's risk management capacity and it was noted the Risk Manager would be reporting to the Chief Accountant and working with colleagues in the Insurance Team. This would allow for some additional support and enable other officers to be trained and add to the Council's resilience, knowledge and expertise.

There was a question about a SWAP partial audit in respect of Education of Children Looked After as it was overdue and in response the Assistant Director of SWAP stated that this was being currently being followed up and it was for the service area to update JCAD.

The Committee accepted the report and noted the progress and importance of keeping JCAD updated.

**122 Committee Future Workplan - Agenda Item 10**

The Committee noted the report that listed future agenda items and reports for the next 2 meetings (20 June and 25 July 2019) of 2019. There were 9 and 6 reports respectively, scheduled for those meetings.

The Chief Accountant suggested that a training session on the Statement of Accounts would be available for Members of the Committee, on the afternoon of 20 June, after the next Audit Committee meeting. It was confirmed that a draft copy of the accounts would be circulated to allow time to read through.

The workplan was accepted.

**123 Any other urgent items of business - Agenda Item 11**

The Chair, after ascertaining there were no other items of business, thanked all those present for attending and closed the meeting at 11:43.

**(The meeting ended at 11.43 am)**

**CHAIRMAN**