

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 budget planning.
- 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 2018, a written management response was provided, and a number of commitments have been made to improve the processes.
- 3.2. These responses have been recorded in the Councils risk management system, JCAD, which will be kept updated to track and report progress. This is a format that is familiar to members from the regular Risk Management reports.
- 3.3. 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.
- 3.4. In addition, there is a key governance role for the Audit Committee to ensure that the external auditor's recommendations are being responded to, and that the suitable processes are being implemented.

- 3.5.** It is worth noting that there will be one further review of the 2018 value for money action tracker before the external auditor produces a new value for money assessment as part of the 2018/19 audit that will be reported to this Committee on 25 July 2019.
- 3.6.** Since the January 2019 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 2018/19 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 has continued at broadly the same level in months 9 and 10. The more detailed, frequent and transparent budget monitoring continues to both Cabinet and Scrutiny. Both reports are monthly. The Quarter 3 budget monitoring report included the addition of charts showing the trend in budget variations, in total and by services that provide a simple, visual summary of the movements across the year to date. This has been well received by Members.
 - ii) After a detailed MTFP process, (elements reported in January to this Committee) and after thorough scrutiny at each Scrutiny Committee in January, the 3-year MTFP was presented to and agreed by Cabinet and then Full 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 the implication for the Councils longer term financial resilience.
 - iii) Since mid 2018 there have 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 has also met with external audit in March. Regular meetings will continue to be held as the organisation tracks further progress.
 - iv) The rollout of budget management training to relevant officers continues. The initial tranche of staff provided positive feedback on the course; feedback from the LGA trainer's courses showed 91% of the attendees rated the course as good or very good, and 95% said that the trainer delivered the content effectively and met the group's needs. Those that were unable to attend the initial LGA delivered dates were invited to 'mop up' dates in February and April.

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 2018 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 26 July 2018.

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