

Somerset County Council
Audit Committee 20 June 2019

Audit Findings Report - Recommendations Tracker

Service Director: Sheila Collins, Interim Director of Finance

Lead Officer: Sheila Collins, Interim Director of Finance

Author: Sheila Collins, Interim Director of Finance

Contact Details: sdcollins@somerset.gov.uk

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. In particular member may want to consider whether there are actions they may wish to see transferred to a new tracker once the VFM assessment for 2018/19 financial year is presented to the Committee in July 2019.

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.

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.

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.

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.

- 3.2.** Since the March 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 a significant financial turnaround being reported to the Cabinet on 10 June 2019 in the Revenue Budget Outturn report. The same rigorous process is being continued in budget monitoring of 2019/20 budgets.
 - ii) Although the most recent MTFP (2019-22) was only recently approved by Council (February 2019), planning for the next MTFP (2020-23) has begun to ensure the Council is proactive in setting future years budgets.
 - iii) The External Auditor will issue an up-dated Value For Money assessment by the end of July 2019 alongside the audit of the Councils Statement of Accounts. Once received, officers plan to produce an appropriate tracker to ensure relevant actions are taken. Level of detail to be determined.

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