

Audit Committee
Meeting Date – 30 May 2024

Joint Auditor’s Annual Report to Somerset Council

Lead Member(s): Cllr Liz Leyshon Deputy Leader and Lead Member for Resources and Performance

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Summary

1. 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.
2. This report provides an update on progress against the Key Recommendations from the Auditors’ findings regarding the arrangements in place at the Council to secure Value for Money. An update on progress against the Improvement Recommendations will be provided at a future Audit Committee meeting.

Recommendations

3. The Audit Committee is asked to note the progress made against the actions in relation to the Key Recommendations.

Financial and Risk Implications

4. There are no direct financial implications associated with these recommendations and the action plan.
5. ORG0057 Sustainable MTFP is the strategic risk recorded and being actively monitored. This risk is owned by the Section 151 officer/Executive Director, Resources & Corporate Services along with the current live actions that are being monitored to mitigate this risk. This risk has the potential to negatively impact the 4 priorities of the Council Plan.

	Likelihood		Impact	Risk Score
ORG0057 Sustainable MTFP	5	x	5	25

Other risks currently on the register are:

	Likelihood		Impact	Risk Score
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CS0034– Continued high needs block budget pressures and cumulative deficit	3	x	3	9
ORG0063 – Commercial investment – inability to achieve forecast income and drop in values	4	X	4	12

Other Implications:

Council Plan Implications

6. The report supports the transparent accountability for the Council’s financial sustainability, good governance, and delivery of value for money with public funds.

Legal Implications

7. There are no direct legal implications of the recommendations.

HR Implications

8. There are no direct HR implications of the recommendations.

Equalities Implications

9. There are no equalities implications from this report.

Community Safety Implications

10. There are no community safety implications from approving this report.

Climate Change and Sustainability Implications

11. Somerset Council have declared both a Climate and Ecological Emergency. Through that, the Council has committed to working towards making the whole county, including our own estate and operations, ‘Carbon Neutral’ by 2030 and to take positive action to reverse the damage on our natural habitats by manufactured activity. We have also pledged to ensure that Somerset is resilient to, and prepared for, the effects of Climate Change. There are no implications from approving this report.

Health and Safety Implications

12. There are no health and safety implications from approving this report.

Social Value

13. There are no social value implications from approving this report.

Background

14. The Code of Audit Practice, which was revised in 2020, updated the way external auditors report on arrangements to secure value for money. This has resulted in a more comprehensive report and is the outcome of the substantial work undertaken by the External Auditors (Grant Thornton) which involved research and evidence gathering to support the Council's position in respect of:
 - Ensuring financial sustainability
 - Managing governance arrangements
 - Securing economy, efficiency, and effectiveness in its use of resources
15. Recommendations made in the report are classified into a hierarchy of levels:
 - Statutory Recommendations
 - Key Recommendations
 - Improvement Recommendations

Report

16. The external auditors made no statutory recommendations to the Council because of their findings, but they did make seven Key Recommendations and six Improvement Recommendations.
17. All recommendations are linked to financial sustainability, governance arrangements or efficient and effective use of resources. Management agreed with the recommendations and provided a response to each recommendation.
18. A detailed action plan has been developed to address the recommendations. Progress against the action plan will be monitored by the Performance, Risk and Budget (PRB) Board. The action plan will be monitored in the Ideagen system, and progress against the actions associated with the seven Key Recommendations is attached in Appendix A.
19. There are 25 actions associated with the seven Key Recommendations. Each of the actions have a unique reference starting with KR. Each action has a due date for completion, with all recommendations to be completed by the end of the financial year. A senior officer is responsible for delivering the action ("Assigned To") and the action is owned by an Executive Director or Service Director ("Managed By").
20. Six actions (24%) have been completed. Remaining actions are on track to be completed by their due date. There are no overdue actions. One action (ref KR3-3) has been closed ("cancelled") following the Council's agreed disposal strategy, (in line with DLUHC's directives to the authority to dispose of its commercial investment properties to be eligible for a capitalisation direction), to avoid a S114. Therefore, although income and costs are being monitored, comparison to the original business case for each asset is no longer appropriate.

Background Papers

- Internal Auditor's Annual Report to Somerset Council

Appendices

- Appendix A – Auditor's Annual Report (AAR) Key Recommendations Action Plan, including progress against the actions.