

Interim Auditor's Annual Report 2022/23 – Action Plan Progress Update

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Summary

1. At its meeting in January 2024, the Audit Committee were presented with Grant Thornton's Interim 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. 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
3. Recommendations made in the report are classified into a hierarchy of levels:
 - Statutory Recommendations
 - Key Recommendations
 - Improvement Recommendations

4. 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.
5. 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.
6. 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.
7. Appendix A 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.
8. 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").
9. Five actions (20%) have been completed. Since the last report to Audit Committee in May 2024, one action has been updated from complete to 60% in progress to reflect the recent decision to review the suitability and robustness of the Council's budget monitoring system. A system review project has been initiated to look at alternative options for generating budget monitoring reports for budget holders using capabilities and functionality of existing systems and business intelligence tools.
10. One action (KR6 – 1) was due to be completed by the end of July 2024 and is flagged as Overdue. Overall progress for this action is 75%, with specific activities in relation to invoice payment, data validation and data accuracy complete, with the endorsement of improvements following outturn and close down of accounts, and regular monitoring in place. However, there are two areas where work further work is still required:

- i. Progress has been made on an interface dashboard validating files through the financial management system (D365). Further work is required to document reconciliations between external systems and D365.
 - ii. Progress has been made in relation to reducing the level of unallocated cash. There is still work to be undertaken to ensure processes and resources are efficient, alongside income management system consolidation.
11. We are reviewing the timeframe of the above KR6 – 1 outstanding activity and the impact on the original completion date. We intend to set a revised completion date of 20 December 2024.
12. As reported to Audit Committee in May 2024, 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.
13. All other Key Recommendation actions have been updated and are on track to be completed by their due date. Most actions have seen an increase in their progress since the last report to Audit Committee in May 2024.

Recommendations

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

Financial and Risk Implications

15. There are no direct financial implications associated with these recommendations and the action plan.
16. ORG0057 Sustainable MTFP is the strategic risk recorded and being actively monitored. This risk is owned by the Section 151 officer/Executive Director, Resources and 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	4	x	5	20

Other risks currently on the register are:

	Likelihood		Impact	Risk Score
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	16

Implications

17. 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

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

Background Papers

- Internal Auditor's Annual Report 2022-23 to Somerset Council

Appendices

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