

Committee Report

Committee: Audit Committee

Meeting Date – 30 January 2025

Key Decision – No



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

Executive Member(s): Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources, Procurement and Performance.

Local Member(s) and Division(s) affected: ALL.

Executive Director: Maria G. Christofi, Interim Chief Finance Officer (Section 151 Officer)

Executive Summary

This report provides an update on progress against the action plan in response to the Key Recommendations and Improvement Recommendations in the Interim Auditor's Annual Report for 2022/23.

Recommendations

The Audit Committee is asked to consider the progress made against the actions in relation to the Key Recommendations and Improvement Recommendations from the Auditor's Annual Report for 2022/23

Reasons for Proposals

As a key component of the Council's governance framework, the Audit Committee has a responsibility to monitor progress of action plans in relation to the Auditor's Annual Report to the Council.

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Main report and supporting information.



Background and purpose of report

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. The report covered findings from the 2022/23 financial year, the year before the unitary authority's vesting day.
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. There are 25 actions associated with the seven Key Recommendations and 16 actions associated with the six Improvement Recommendations. Each of the actions have a unique reference starting with KR or IR. 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").

8. The tables below summarise the status of the recommendations and actions against the Key and Improvement recommendations and compares the position to that previously reported to the Audit Committee in December 2024.

Type of Recommendation	Total Recommendations	Completed	In progress
Key (KR)	7	4	3
Improvement (IR)	6	3	3
Total	13	7	6

Type of Recommendation	Total Recommendations	Total Actions	Completed	In Progress	Overdue	Cancelled (Closed)
Key (KR)	7	25	21	3	-	1
Improvement (IR)	6	16	13	3	-	-
Total	13	41	34	6	-	1
Previously reported	13	41	29	11	-	1
Change	-	-	5	(5)	-	-

9. There were 13 Recommendations in total. Of these, 7 Recommendations have been completed. The remaining 6 Recommendations and associated 6 actions are as follows, with details on progress provided in Appendix B and Appendix D:

- KR1b) Financial Sustainability: Developing and delivering mitigating actions to manage demand and costs in relation to Children's Services
 - KR1b - 1 Embed the Children's Service Transformation Programme in the Council's wider governance and transformation programme and deliver the Children's Services transformation programme activity in relation to the 2024/25 MTFP.
- KR4) Financial Sustainability: Ensuring that General Fund and Earmarked Reserves are maintained at prudent levels in order to provide financial resilience.
 - KR4 - 1 Urgently mitigate the 2023/24 budget overspend and bridge the 2024/25 and 2025/26 budget gaps in order to reduce their impact on reserves.
- KR5) Financial Sustainability: Developing a robust DSG Deficit Management Plan
 - KR5 - 1 Develop a DSG Deficit Management Plan and ensure that sufficient resources are allocated to monitoring and reporting progress against the plan to Members and stakeholders such as the Schools Forum

- IR4) Governance: Implementing robust arrangements for preventing and detecting fraud and corruption at Somerset Council
 - IR4 - 4 Approve and report progress against an Annual Anti-Fraud Plan
 - IR5) Governance: Ensuring that there is sufficient capacity in place and staff are suitably trained in order to respond to Ombudsman investigations completely and within agreed timescales.
 - IR5 - 1 Ensure sufficient capacity and staff are suitably trained to respond to Ombudsman investigations completely and within agreed timescales.
 - IR6) Improving Economy, Efficiency and Effectiveness: Implementing robust arrangements for benchmarking service cost and performance at Somerset Council
 - IR6 - 2 Develop a corporate-wide approach to routinely benchmarking performance.
10. All actions have been updated and quality assurance and validation undertaken by Finance. A total of 34 actions have been completed. No actions are overdue and the remaining 6 actions are on track to be completed by their due date.
11. The cancelled action, as previously reported to Audit Committee, was closed following the Council's agreed disposal strategy (in line with MHCLG's [was DLUHC's] guidance to the authority to dispose of its commercial investment properties to be eligible for a capitalisation direction), to avoid a Section 114. Therefore, although income and costs are being monitored, comparison to the original business case for each asset is no longer appropriate.
12. A comparison of the Auditor's Annual Report 2022/23 action plan progress has been undertaken against the recommendations made in the Auditor's Annual Report 2023/24 (see item elsewhere on the agenda).
13. Following the comparison review, the previously reported completed Auditor's Annual Report 2022/23 action (ref KR4 – 1) to "Urgently mitigate the 2023/24 budget overspend and bridge the 2024/25 and 2025/26 budget gaps in order to reduce their impact on reserves" has been moved to in progress. Whilst the impact on reserves in 2023/24 was mitigated by the underspend at 2023/24 outturn, Earmarked Reserves and Exceptional Financial Support for 2024/25 were required to balance the 2024/25 budget and following the progress of the budget setting process and the Council's recent discussions with MHCLG officials in relation to further Exceptional Financial Support to MHCLG for 2025/26 government support.
14. **Appendix A and B** provide a detailed update on completed actions and actions in progress against the Key Recommendations. **Appendix C and D** provide a detailed update on completed actions and actions in progress against the Improvement Recommendations.

Links to Council Plan and Medium-Term Financial Plan

15. The recommendation in this report links to the Council's priority for a flourishing and resilient Somerset and to the Medium-Term Financial Strategy.
16. The report supports the transparent accountability for the Council's financial sustainability, good governance, and delivery of value for money with public funds.

Financial and Risk Implications

17. There are no direct financial implications associated with the recommendation.
18. Actions identified in this action plan are key mitigations for the following Strategic Risks:
 - i. **ORG0057 Sustainable MTFP.** This risk is owned by the Section 151 Officer along with the current actions that are being monitored to mitigate the risk.

Current Risk Score:

Likelihood	5	Impact	5	Risk Score	25
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Projected risk score:

Likelihood	2	Impact	2	Risk Score	4
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- ii. **ORG0063 Commercial Investments.** This risk is owned by the Executive Director of Resources, Strategy and Transformation along with the current actions that are being monitored to mitigate the risk.

Current Risk Score:

Likelihood	4	Impact	4	Risk Score	16
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Projected risk score:

Likelihood	3	Impact	3	Risk Score	9
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Background Papers

1. Interim Auditor's Annual Report 2022/23 to Somerset Council

Appendices

- **Appendix A** – Key Recommendations – Completed Actions.
- **Appendix B** – Key Recommendations – Actions in Progress
- **Appendix C** – Improvement Recommendations – Completed Actions
- **Appendix D** – Improvement Recommendations – Actions in Progress

**Report assurance checklist ahead of report publication.
(for Audit, Executive, Full Council and Scrutiny Committees)**

	Officer Name	Date Completed
Legal & Governance Implications	Jill Byron	20 January 2025
Finance & Procurement	Nicola Hix	22 January 2025
Workforce (*)	Dawn Bettridge	Not applicable
Asset Management (*)	Oliver Woodhams	Not applicable
Executive Director	Maria G. Christofi	22 January 2025
Executive Lead Member	Cllr Liz Leyshon	22 January 2025
Consulted:	Councillor Name	
Local Division Members	List local members	Not applicable
Opposition Spokesperson(s)	Cllr Diogo Rodrigues	23 January 2025
Relevant Scrutiny Chair(s)	Relevant Chair	Not applicable