

## **AUDIT COMMITTEE**

Minutes of a Meeting of the Audit Committee held in the Luttrell Room - County Hall, Taunton, on Thursday 18 June 2020 at 10.00 am

**Present:** Cllr M Lewis (Chair), Cllr M Caswell, Cllr H Davies, Cllr B Filmer, Cllr L Leyshon, Cllr G Noel, Cllr M Rigby and Cllr P Ham

**Other Members present:**

**Apologies for absence:**

182 **Apologies for Absence** - Agenda Item

No apologies were received.

183 **Declarations of Interest** - Agenda Item 2

The Chair of the Committee noted the details of all Councillors interests already declared in District, Town and Parish Councils.

Councillors Caswell, Leyshon and Lewis declared personal interest as recipients of the Local Government Pension Scheme.

184 **Minutes from the previous meeting** - Agenda Item 3

The Audit Committee agreed that the minutes of the meeting held on 30<sup>th</sup> January 2020 were accurate, and the Chair signed them.

185 **Public Question Time** - Agenda Item 4

No questions or statements were received by the PQT deadline of 5pm on Friday 12 June.

A response would be provided in writing to the late submission provided by Mr Pope.

186 **External Audit Update** - Agenda Item 5

Barrie Morris and David Johnson presented the report and summary and findings detailed below:-

The External Audit Update was provided and included the LGPS Audit Plan, Audit Scope Letter, for the Somerset Pension Fund and the Audit Risk Assessment appended to the Grant Thornton Report.

Debate

- Sustainable resource deployment risks were considered as part of the pandemic response. External Audit were liaising with officers in areas of risk identified. These were not specific to SCC.
- The Change in audit fees were based on historical scale rates.
- The new environment and expectation in audit quality is no longer sufficient.
- Review of programme of work undertaken, the costs were seen to be reasonable for the work undertaken.
- Pg31 – making progress on value for money risks. Fair summary, significant period of change to improve financial standing of the authority. VFM improvements embedded in the organisation.
- Pension fund audit plan was presented
- Assurances over balanced in the pension funds, controls appropriate and the balances were accurate. Processes in place mitigate against potential holes in the fund.
- Committee to note the External Audit Plan updates, the mitigations in relation to the significant risks identified and the management action undertaken.

The Committee noted the report.

#### 187 **Internal Audit Update** - Agenda Item 6

The Audit Plan and Charter was presented to the Committee which set out the summary of the internal Audit Plan, the approach to audit planning 2020/21, Coverage and Risk Assessment.

The purpose of the Audit Charter set out the nature, role, responsibility, status and authority of internal auditing within Somerset County Council, and to outline the scope of internal audit work.

Approval: This Charter was last approved by the Audit Committee on 28th March 2019 and is reviewed each year to confirm it remains accurate and up to date.

Provision of Internal Audit Services: The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by Somerset County Council in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the organisation, and may only be amended

by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the organisation's level of contribution to SWAP. This is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP

Role of Internal Audit: The Accounts and Audit (England) Regulations 2015, state that: "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Organisation's operations. It helps Somerset County Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management, Audit Committee and Internal Audit Management: Management was responsible for ensuring that SWAP:

- has the support of management and the organisation; and
- has direct access and freedom to report to senior management, including the Chief Executive and the Audit Committee
- is notified of suspected or detected fraud, corruption or impropriety.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Organisation. Management is also responsible for the appropriate and effective management of risk.

The Audit Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director on the progress of work undertaken, and reviewing them.

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, Page 17.

Independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function was noted, and reassurance obtained from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Debate

- Performance measurements were set by agreed targets at board level. These were reviewed and measured regularly by the board and SLT. Progress reports were considered at the Audit Committee.
- Measuring performance when working from home was discussed; the organisation had already transitioned to remote working and this had worked just as well in terms of performance as in the office in terms of work output.
- The Audit committee were in favour of the audit charter and noted the Internal Audit Plan updates, the mitigations in relation to the risks identified, and the management action undertaken

The Committee noted the report.

## 188 **Internal Audit Opinion** - Agenda Item 7

### Debate

- Concerns were expressed around the planned change to the internal audit plan following recent SEND review.
- The committee requested to reinstate the audit on casework and data management, this was in plan that had been looked at.
- Focus on Education health and care plan reviews, an ongoing commitment had been made to work with SLT to look at plan agreed and reflect continuing risk, SEND would be discussed and fed through to Children's and Families Scrutiny who were aware of the audit plan.
- Next Children's Scrutiny would consider the SEND plan and report refer back to Children's Scrutiny so Council Committees can support each other to improve services.
- FAB assessment – moved forward on the concerns raised.
- Thanked Lisa for ongoing work in challenging environment.
- Committee noted the Internal Audit Opinion for 2019/20, the partial assurance audits and the management actions undertaken
  - Reassurance of the impact of Covid-19, the response plan was well advanced and didn't effect many audits and noted in appendix 2.
  - Detail of the evidence used to produce the opinion through the high-level summary was set out in the report.

The Audit Committee noted the Internal Audit Opinion for 2019/20, the partial assurance audits, and the management actions undertaken

## 189 **Value For Money Tracker** - Agenda Item 8

The Finance Director presented the report:-

At the September 2019 Audit Committee the external auditor, Grant Thornton, presented several recommendations for improvement in value for money (VFM) as part of their 2018/19 overall annual Audit Findings Report. Despite an improved position from an adverse opinion in 2017/18 to a 'qualified, except for' opinion for 2018/19 the auditor was clear that there remained more improvement to make.

To recognise the importance of these actions, the recommendations for improvement were turned into a VFM tracker, and actions are recorded and tracked through JCAD (the Councils risk management tool). This tracker outlined improvements mainly to budget monitoring and the MTFP, which have continually improved. This report now takes the next step in assessing the Council's preparedness for an unqualified VFM Audit in the summer of 2020 for the financial year 2019/20.

#### Debate

- In respect of JCAD, assurance was given that all officers can access all required systems across the organisation.
- General Fund and earmarked reserves pre-2017. How do current levels compare? Written answers to be provided.
- The Committee welcomed the progress made in addressing the VFM recommendations identified by the External Auditor.

The Committee noted the report.

#### 190 **Annual Governance Statement - Agenda Item 9**

The Monitoring Officer presented the report.

This report invited members of the Audit Committee to consider the attached draft Annual Governance Statement (AGS) 2019/20 for the County Council. Subject to members' comments, this will then be signed by the Leader of the Council and the Chief Executive, and the Statement will form part of the final 2019/20 Statement of Accounts. (Note that due to the timing of the Audit Committee meeting, as has been the case in some years in the past, the draft unsigned version of the AGS has been attached to the Statement of Accounts submitted to the external auditor.

The auditors will be updated on any amendments made between then and the final signing of the AGS by 30 August 2020). Good governance, as evidenced in the Annual Governance Statement, was an essential pre-requisite to any

organisation pursuing its vision effectively and underpins that vision with effective control mechanisms and risk management.

Appended to the covering report was content of the draft Annual Governance Statement for 2019/20 (set out in Appendix A) and the supporting evidence set out in the new Corporate Governance Code (Appendix 1).

### Debate

- The Committee praised the clarity of the improved format of the report
- Accessibility to meetings was an issue, with live webcasting encouraged by the Committee
- All Councillors and members of the public could receive the Teams invite to connect to Committee meetings and can dial via phone in as an alternative if they do not have the means to connect via teams
- Covid-19 regulations were still in force around gatherings, which included meetings; the exceptions for gatherings prevented more than one Councillor from attending a physical meeting, and virtual means had to be used for Committee meetings under these regulations.
- The Government were reviewing these regulations; it was currently not legally possible for local authorities to hold hybrid meetings, as Parliamentary Law which enabled hybrid meetings to take place was different to legislation that governs local authorities
- The Committee welcomed the new format of the AGS and the supporting evidence set out in the new Corporate Governance Code.

The Committee noted the report.

### 191 **Debtor Management Update** - Agenda Item 10

The report reviewed the recovery of outstanding debts (monies owed to the council) and the current performance. The analysis below is based on the total of annual debt raised, which is between £120 - £135m. The monthly outstanding debt can range between £7-20m.

The achievement of good performance in this area is linked to the county plan in relation to "bring in more funding and resources".

Services' total outstanding debt reported on the Accounts Receivable system stood at £10.087m as at 30 April 2020. This compares with a figure of £16.296m as at 30 April 2019, and £9.730m, which was the 31st December 2019 figure in the last report to Audit Committee in January 2020. The percentage of debts over 90 days as at 30 April 2020 was 31.2%, which represents an increase

compared to the end of March which stood at 18.4%. The value of the increase in outstanding 90-day debt was £0.55m.

### Debate

- Page 193 set out suspended debt recovery and treating different debtors in a sympathetic way due to the impact of the pandemic. This would be the case depending on the nature of the issues to an appropriate agreement.
- Collection of bus rates and council tax remained with district councils, who were being worked with on the Somerset recovery plan.
- LG Futures had been engaged to understand impact of Covid-19 on businesses and to encourage closer working together with District Councils.

The Committee noted the report.

### 192 **Committee Future Workplan** - Agenda Item 11

The Committee noted the workplan that listed future agenda items and reports for the next meeting on 24 August 2020, and the workplan was accepted.

Members of the Committee were reminded that on Thursday 30 July a briefing session would be scheduled for elected members on this year's Statement of Accounts.

### 193 **Any other urgent items of business** - Agenda Item 12

There were no other items of business.

**(The meeting ended at 11:54)**

**CHAIR**