

**Minutes of the meeting of the Audit committee held on 24<sup>th</sup> November 2022 at 10am in the Luttrell Room, County Hall, Taunton TA1 4DY.**

**Committee members present:** Cllr Dean Ruddle (Chair), Cllr Andy Sully (Vice-chair), Cllr Habib Farbahi, Cllr Mike Lewis, Cllr Simon Carswell, Cllr Norman Cavill, Cllr Peter Clayton, Cllr Mike Caswell, Cllr Tim Kerley, Cllr Steve Ashton (sub), Cllr Simon Coles (sub), Jennifer Whitten (independent member, virtual), Cllr Hugh Davies (virtual)

**Non committee members present:** Cllr Liz Leyshon, Cllr Rosemary Woods (virtual) Cllr Peter Seib (virtual), Cllr Dawn Johnson (virtual), Cllr Sarah Wakefield (virtual)

**Officers present:** Pam Pursley Audit Committee Manager SCC, Stephanie Gold Committee clerk SCC, Paul Griffin Chief Accountant SCC, Jason Vaughan Head of Finance and S151 Officer SCC, Alastair Woodland Assistant Director SWAP Internal Audit Services, Barrie Morris Director Grant Thornton UK LLP, Grace E Hawkins Audit Manager Grant Thornton UK LLP, Dan Povey Public Sector Audit Manager Grant Thornton UK LLP, Phil Curd Strategic Manager Access and ALN (Children's), John Perrott Service Manager Transporting Somerset.

**Agenda item 1: Apologies for absence**

Apologies were received from Cllr Lee Baker, Cllr Hugh Davies, Cllr Mandy Chilcott (substituted by Cllr Steve Ashton) and Cllr Jeny Snell (substituted by Cllr Simon Coles)

**Agenda item 2: Declarations of Interest**

There were no declarations of interest received from any member of the committee

**Agenda item 3: Minutes from the meeting held on 22nd September 2022**

The minutes of the meeting of the 22<sup>nd</sup> of September 2022 were approved as a correct record subject one amendment to correct the spelling of surname for Cllr Mike Caswell (not Carswell).

**Agenda item 4: Public Question Time**

There were no members of the public present/registered to speak.

**Agenda item 5: Statement of Accounts**

Paul Griffin, Chief Accountant Somerset County Council introduced the Statement of Accounts and explained the sign off process of the County Councils & Pension Fund accounts. He explained that the accounts cannot be formally approved until statutory legislation has come into place regarding Highways Infrastructure Assets, and therefore

asked the committee to consider and comment on the Statement of Accounts at this point, delaying the final sign off until the next meeting.

Prior to this meeting, members had received a Statement of Accounts training session where a full question and answer session on the 21/22 Statement of Accounts had also taken place.

There were no further questions or comments received from members.

## **Agenda item 6: External Audit Updates**

### **Somerset County Council Audit Findings Report 21/22**

Barrie Morris Director, Grant Thornton UK LLP talked members through the findings report and explained some of the recommendations for context.

- Page 281 He explained that we are waiting for the pension fund auditor response.
- As previously mentioned by the Chief Accountant, the final sign-off of this Audit Findings report is delayed, waiting for the statutory legislation regarding Infrastructure Assets. This statutory regulation is expected by 25th December 2022.
- Page 282 He explained that property and equipment continue to be a challenge and made a plea via this committee to ensure this is in hand, especially as we go into unitary. He gave thanks to the SCC finance team for all their work on this.
- Minimum revenue provision charge, benchmarking, and guidance. He explained that the amount that has been set aside is below what is expected (not prudent) by about 5 million.

The Chair invited Oliver Woodhams, Head of Property SCC to briefly talk about progressing valuations. The Head of Property acknowledged that the next year is going to be very challenging. He explained that a new asset management system will be coming into use with the new authority, and this will significantly improve asset records going forwards.

Grace E Hawkins, Senior Manager of Audit at Grant Thornton UK LLP addressed the committee with more detail on some of key findings in the report including:

- Appendix A Regarding the recommendation on journals. This is concerning over 6000 journal entries and there is a risk of management override of controls and error.
- The work on fees and charges is complete and there are no issues arising in this area
- A brief overview of the key adjustments.

The following comments and questions were received from members

- Page 286 Regarding errors in journals, were these errors made by finance or non-finance officers? Is this a training issue? The Director GT confirmed that this is about ensuring the council has an efficient financial ledger. It's not just about errors. The Chief Accountant SCC acknowledged that there are some limitations with journals on the current system but that this is firmly on the radar. He added that training for journal users is always provided.

- How well will Microsoft Dynamics work with journals? The S151 Officer confirmed that this was an area that would be addressed soon.
- Page 288 Regarding land and building values, what is this based on? Is it equipment too? Does it consider depreciation? The Director Grant Thornton UK LLP explained gross and net book values and confirmed that the net book value considers depreciation and any recent valuations. He advised that as auditors they use expertise and market evidence to challenge valuers at a very detailed level to obtain the best quality valuations.
- Yield during recession is very different to yield in normal times. How can we balance that? The Director GT confirmed that this was about market evidence and assessing the latest market information that is available at the time.

### **Somerset County Council Auditors Annual Report 21/22**

Dan Povey, Public Sector Audit Manager at Grant Thornton UK LLP introduced the report and talked members through some of the key points including,

- This is a positive report, but there are some recommendations to consider.
- This year we have carried out a significant amount of work on LGR which was identified in the external audit plan as a potential significant risk.
- Page 320 Executive summary highlights the key areas for improvement recommendations
- Page 323 refers to financial sustainability and the key message is that there are robust arrangements in place which have allowed the level or reserves to increase in recent years.
- Page 324 SCC is facing significant in-year budget pressures. This focus should continue, and the council should continue to develop and implement mitigating measures.
- Page 326/327 Financial Risk around minimum revenue provision and capital financing. This has also been highlighted in the Annual Audit findings report 21/22.
- Page 329 is about looking at arrangements for new council consideration of financial sustainability. We have found that there are robust processes in place.

The Head of Finance and S151 Officer welcomed the report and agreed that it is helpful in giving members assurances, but also highlights the significant challenges the council faces. He reminded members that a budget position update report has been to the executive in November which set out the Councils current financial position.

The following questions and comments were received from members -

- Regarding Minimum Revenue Provision, why was this increased to 2%? The Head of Audit Grant Thornton LLP advised that the council changed its MRP policy in 2018 and explained that as auditors they usually focus on the material items within the accounts and that MRP was previously considered immaterial. Auditors are now

looking at MRP in much more detail. The S151 Officer also advised that a new MRP Statement would be adopted in early '23.

### **Informing the Audit Risk Assessment for Somerset Pension Fund 21/22 & Informing the Audit Risk Assessment for Somerset County Council 21/22**

The Senior Auditor from Grant Thornton LLP advised that the two ITARA documents had been sent via email but had brought to members attention on this agenda for completeness.

#### **Agenda item 7: Internal Audit Update**

Alastair Woodland, Assistant Director SWAP Internal Auditing Services gave an overview of the internal audit progress update, highlighting areas of concern that have been identified from their work.

- Page 420 provides a summary of the key reviews against the key strategic risks across the organisation.
- Page 421 shows that the number of outstanding recommendations has increased from 31 to 34, but the number of completed recommendations has also gone up from 70 to 86.
- SWAP will soon be rolling out a new internal audit dashboard which will significantly improve tracking and monitoring of audit activities across the Council.
- Page 425 Regarding significant findings around children missing from education. This is about the Section 436a Education Act. This area is under resourced. There is currently no overall policy to manage children missing from education, and not enough data. Recommendations are for completion by the end of Mar '23 and June '23. This will be tracked with the new dashboard.
- Page 426 refers to follow up audit on schools' exclusion data. This is about timely and consistent data and the weaknesses identified around data sets and potential for error or manipulation. There are some weaknesses still outstanding, and this will be monitored closely in the new dashboard.
- Page 427 Effective of the Somerset Schools forum. 7/10 recommendations have been completed, and the other 3 will be complete by Dec '22. For this reason, this one is being removed from the dashboard.
- Page 433 Appendix D table 2 gives a summary of work done regarding LGR.
- New CIPFA guidance has been issued regarding audit committee effectiveness.
- Regarding the audit plan for 23/24, there will be significant disruption going into unitary and welcomed the views of members to ensure that audit work is completed.

He confirmed that members of the committee should have now received written responses regarding both Mental Health Care Plans and Highways Payments Follow-up audits, as requested at the previous meeting on 22<sup>nd</sup> September.

The following questions and comments were received from members -

- Regarding school exclusions, what does this data refer to? All schools or just local authority managed schools? The Assistant Director was unable to answer this but suggested that a Service Manager would be able to provide this information.
- Regarding school exclusions – do the internal auditors feel that officers are working hard to resolve issues? Are the relationships positive? The Assistant Director acknowledged that LGR has been a significant distraction, as well as other competing authorities but that relationships are positive and as auditors we try to work with officers.
- Page 423 One member questioned whether this work on LGR was quite late. The Assistant Director assured members that their work on LGR has been ongoing for some time and that it is working at the right pace for the LGR programme.

### **Agenda item 8: Transport Budget Governance Verbal Update - requested by the Chair.**

Alastair Woodland, Assistant Director SWAP Internal Auditing Services referred members back to the July '22 SWAP Internal audit update report which identified limited assurance regarding transport budgets and overspends. He introduced Phil Curd, the Strategic Manager Access and ALN (Children's) and John Perrott, the Service Manager Transporting Somerset and explained that an officer from Finance had not been available to attend.

The Strategic Manager Access and ALN (Children's) updated members on the School Travel Cost Strategy and explained that there is a group of officers working on 4 specific activity areas

- 1) Internal fleet – reduce costs
- 2) Additional budget – to ensure budget requirements are set
- 3) Further cost avoidance – identify and exploit policy to reduce costs
- 4) Improved co ordination

Members asked for sight of the School Travel Cost Strategy and the officer confirmed that he could share this with the committee, although it is not currently a public document so asked that it be treated as confidential by members.

The Service Manager Transporting Somerset gave a verbal update on how the team are addressing the other areas of limited assurance highlighted within the July '22 internal update report.

Following a short discussion between members and the officers, the Chair thanked the officers for their diligent work on resolving the issues identified by the audit, and for bringing these helpful verbal updates to the Audit committee.

### **Agenda item 9: Strategic Risk Update**

Pam Pursley, Risk Manager gave the regular update on the Somerset County Council Risk Register and the progress in mitigating the highest scoring risks. She also informed members that following a previous suggestion made to her regarding Fraud, this was an area that she would be focussing on in the coming months.

There were no other questions or comments from members.

**Agenda item 10: Local Government Reorganisation Strategic Programme Risk update**

Angela Farmer, Risk Manager for the LGR Programme gave the regular update on the Local Government Reorganisation Programme risk workstream with a presentation highlighting any major risks and the most significant changes since the last update for members.

There were no questions or comments from members.

**Agenda item 11: Committee Future Work Programme**

Jason Vaughan S151 Officer asked members to consider and comment on the committee future work programme and advised that following new guidance from CIPFA a report would be coming to the meeting of the 19th of January regarding the need for an additional independent member for the committee.

There were no further comments or questions received from members.

**Agenda item 12: Any other urgent items of business**

There were no other urgent items of business raised by the Chair.

**[Meeting closed 1pm]**