

AUDIT COMMITTEE

Minutes of a Meeting of the Audit Committee held in the Virtual meeting, on Thursday 11 March 2021 at 10.00 am

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

Other Members present: Cllr M Chilcott, Cllr T Munt.

Apologies for absence:

225 Declarations of Interest - Agenda Item 2

There were no declarations made.

226 Minutes from the last Committee meeting - Agenda Item 3

The minutes of the last meeting were accepted as accurate.

227 Public Question Time - Agenda Item 4

The Chair of the Committee confirmed that no questions had been received or statements/petitions presented.

228 Risk Management Update - Agenda Item 5

The Committee considered this report introduced by the Strategic Manager, Finance Systems and Governance and he began by drawing Members attention to Appendix A of the report which contained the Strategic Risk Register (SRR). He noted that the report contained the latest information strategic risk information obtained from the Council's risk management system (JCAD) and he provided an overview of those with the highest scores.

Referring to Appendix A it was noted that any date in red font meant that it was overdue. He noted there had been a single change to the SRR, that being ORG43 relating to a sustainable budget. This risk had been judged to still be likely and he explained that although progress had been made in improving the Council's financial position this work was part of an on-going process and remained a key focus and Officers wanted to see improvements continue and further savings be achieved before further lessening the likelihood of the risk.

The Chair invited questions and there was a brief discussion about the on-going need to mitigate risks in relation to the UK's departure from the

European Union and in respect of problems associated with climate change, and the importance of collaborative work with other agencies and partners.

The Committee accepted the report and noted progress was monitored closely and importance to the Council for Officers to keep JCAD updated.

229 **External Audit Plan and Sector Update** - Agenda Item 6

The Chair invited the external auditors to introduce their report and Mr Morris, key audit partner from Grant Thornton, began by noting the report provided an update on the audit findings submitted last September and the on-going work regarding some property valuations. He referred to page 40 of the agenda pack and noted that much of the additional work had been completed and most of the required testing work had also been completed.

He also noted on, page 41, that assurances had been received regarding the Pension Fund audit and on page 43 he highlighted the work completed regarding key estimates and judgements and on page 45 he highlighted the assumptions of external valuations.

Members attention was drawn to the high priority recommendation on page 57 that concerned the requirement for appropriate indices to be in place when the Council undertook the valuation of its land and buildings. It was also noted that the figures on page 60 for unadjusted misstatements regarding the property valuation stood at £3.598m (not £3.958m) and the overall impact figure should read £1.962m (not £1.602m). An update was provided on the cost of the additional audit work for the accounts and pension fund.

The Chair invited questions from the Committee and during the consideration of the report, issues/concerns were raised, questions asked/answered and further information was provided on:

There was a question on the status of the Council's statement of accounts and in response it was noted that the financial statements could not be published until the audit opinion had been provided and this was imminent;
It was thought the work completed on property valuations although challenging had provided several valuable lessons, and those could be used for future years;

It was asked if there had been a management response to the high priority recommendation on page 57 regarding property valuations, and it was noted this finding had been accepted and was not regarded as a 'one-off job' so that the necessary work would be embedded for future years;

There was a question about adults and children's services and the comparison regarding value for money between the increase costs at the same time as an apparent reduction in the number of people being served and it was noted that

as adults and children's services were largely demand led it was difficult to predict budgets;

On the matter of the increased cost of the audit (due to the pandemic) it was asked if the additional costs could be reclaimed from the government and it was noted that this might be possible, and the auditors were mindful of it; Regarding the use of contingency funds being used for adults and children's services it was asked if the external auditors thought those services were adequately budgeted for and if the respective transformation and savings plans were realistic. In response it was noted the audit would take a backward look and that would help regarding sufficiency judgements for 2019-2020 and these would help inform the 2021-2022 audit and the auditors were satisfied the Council had appropriate management in place to manage the peaks and troughs of work and the budgeting process and savings plans appeared realistic;

There was then a brief discussion about what the word realistic meant (given that both adults and children's services overspent each year) and it was noted that the auditors had been reassured the Council's plans were adequate having reviewed the budget processes in place but that reassurance could not be absolute, given the many variables such as the demand on services and the potential unexpected high costs that might arise from only a few cases; It was asked that as the adults social care budget was overspent each year if this should be included on the Council's Strategic Risk Register and if in light of the effects of the pandemic if the Strategic Risk Register should be amended to include sufficiency of places within private Care Homes in Somerset and the Strategic Manager, Finance Systems and Governance undertook to consider those suggestions;

Regarding the audit of Brunel Pension Partnership (that managed the Council's Pension Fund) and the letter issued by the external auditors Grant Thornton, it was explained that the letter of assurance was sent to all the admitted bodies within the Somerset Fund and letters of assurance were also provided to other pension funds in the Brunel Pension Partnership. It was requested that a written answer be provided to set out the other bodies within the Brunel Partnership represented by Grant Thornton.

The Chair then drew the Committee's attention to the supplement to the agenda that had been published regarding the approval of accounts for 2019/20. Members were reminded that at its meeting last September the Committee agreed to approve the audited statement of accounts for 2019/20, the letter of representation for 2019/20 and the updated annual governance statement. That approval had been subject to the external auditors completing and then issuing their final audit report and audit certificate which had now been received.

The Strategic Manager, Finance Systems and Governance noted that the Council would ensure lessons were learnt from the work undertaken to value

some of the Council's assets. He provided a presentation that highlighted that no amendments were required to the statement of accounts and some minor amendments were required to the approved letter of representation and statement of unadjusted misstatements. Additional text, to be added to the letter of representation considered last September, was highlighted and explained and a table (page 60 of the agenda) was shown to confirm the correct figures regarding the non-material unadjusted misstatements.

The Chair invited questions from the Committee and during the consideration of the supplementary report, issues/concerns were raised, questions asked/answered and further information was provided on:

It was asked which date would be included in the annual governance statement and statement of accounts and it was confirmed that it would be the date of Committee meeting (11 March 2021).

There was a question about the process of signing a document which might subsequently be changed, even if those changes were only minor. In response the external auditor explained that if any issues were identified that wouldn't require adjustments in the financial statements the letter of representation could be signed today, and appropriate assurances could be provided by officers. If, however there were any issues identified that did require amendments to the statement of accounts then the accounts would be submitted to the Committee for reapproval. The external auditor explained provided there were no other changes to the statement of accounts it would be appropriate to proceed on the basis set out in the supplementary report.

The Committee agreed unanimously:

To approve the amended Letters of Representation for 2019/20 (and accompanying Audit adjustments - Unadjusted Misstatements Summary);

To confirm that as no adjustments had been made to the accounts approved on 24 September 2020, it was satisfied with this approach and no further amendments are required;

To note the dates in the Statement of Accounts for 2019/20 and the Annual Governance Statements would be updated to reflect the audit opinion had been considered.

230 **Internal Audit Update Report** - Agenda Item 7

The Chair invited the Internal Auditor to introduce her report that provided details on the progress of the 2019/2020 audit plan. It was reported that overall good progress could be demonstrated, and steady progress continued to be

made and the auditors were on track to deliver the internal audit plan, although it would look different to the one agreed.

In the progress report 2 areas were highlighted, first the limited assurance opinion, page 72, regarding management of the community learning partnership funds and an overview of the audit findings were listed and the leadership team were considering the outcomes of audit. Secondly the update on SWAP performance, on pages 73 and 74, was noted and the delays to complete the audits in adults and children's services had resulted in those audits being rolled forward.

The Chair noted that the discussion at the last meeting, concerning advisory audit reports, had highlighted that it was not current practice to circulate the reports with the highest priority recommendations to the Committee as a matter of course. By doing so for future opinion based and advisory reports he believed the Committee would be better equipped to fulfil its responsibility in focusing on the main issues, particularly risks, arising from internal audit reviews. As Chair he had requested that the Committee receive the follow up audit report, following each highest priority finding, so this mirrored the current practice in place for partial opinion audits. This would mean the Committee would receive a follow up report, once it has been completed, into the advisory report considered at the last meeting.

The Chair invited Cllr Leyshon to make a proposal. Cllr Leyshon proposed that all internal audit opinion based and advisory audit reports with one or more highest priority recommendations be reported to the Committee. The Chair seconded the proposal.

Cllr Davies sought reassurance that any additional reports would not incur an extra cost to the Council and the Internal Auditor explained that it would simply provide additional information to the Committee in areas where the most significant risks had been identified. The Committee unanimously accepted Cllr Leyshon's proposal.

Cllr Rigby made a proposal on how the confidential status of reports would be determined and he proposed that the confidentiality of the audit report will be determined by the Section 151 Officer in consultation with the Monitoring Officer and Head of Service being audited. Cllr Davies seconded the proposal. The Committee unanimously accepted Cllr Rigby's proposal.

The Committee accepted the internal audit update report.

The Chair invited the Internal Auditor to introduce the report and she explained it was a risk based plan to cover the key risk areas for the Council, noting how the risks had been identified and how they would inform the next audit plan.

It was noted that the plan would be flexible to so that it could focus on new requests as risks changed and it was likely the impact of the pandemic would continue in to 2021. The plan would be reviewed in detail next September to ensure the second half of the plan fitted the risks at that time, such as possible local government reorganisation in Somerset.

It would be a rolling plan so as new risks and audits emerged the plan would be changed to accommodate those, much in the same way as the current plan had evolved. Attention was drawn to Appendix A that detailed the audits in the plan and when they would be carried out. Detail was also included about the 'follow up' audit programme and these were listed in the rolling plan in Appendix B. The Audit Charter, attached as Appendix C, was unchanged.

The Chair invited questions on the proposed audit plan, and it was asked if some of the audits (such as regarding Highways) could be brought forward and the Internal Auditor said she could ask if this was feasible. It was asked if an improvement plan regarding Highways Development Management could be shared and the Internal Auditor said she could ask if this was possible. It was also noted there was a reduction in the number of audits (approx. 6% reduction on last year).

There was a question and an overview was provided by the Council's Monitoring Officer about audit activity during the period of local government reorganisation including the establishment of a Shadow Authority and a structural change order (setting out how the transition would work) and Members were reassured that audit activity would continue during that period.

The Committee accepted the report and the 2021/2022 Audit Plan, and the Internal Audit Charter were agreed.

232 **Committee Work Programme** - Agenda Item 9

Members considered the work programme and it was confirmed that the next meeting of the Committee would include the Annual Governance Statement, the Anti-Fraud and Corruption report and audit update reports. It was also noted that the Annual Audit Opinion report from the Internal Auditors would be included.

There was a discussion about the planning of agenda items (number of reports for each meeting) and the Chair asked Officers to consider this so the Committee's workload was evenly divided between meetings.

233 **Any other urgent items of business** - Agenda Item 10

The Chair, after checking there were no other items of business, thanked all those present for attending and closed the meeting at 11.52am.

(The meeting ended at 11.52 am)

CHAIRMAN