

Minutes of the meeting of the Somerset County Council Audit committee held at 10am on 22nd September, in the Luttrell Room, County Hall, Taunton TA1 5DY.

Committee members present: Cllr Dean Ruddle (Chair), Cllr Andy Sully (Vice-chair), Cllr Jeny Snell, Cllr Norman Cavill, Cllr Mike Carswell, Cllr Mandy Chilcott, Cllr Hugh Davies, Cllr Lee Baker, Cllr Habib Farahi, Cllr Simon Carswell, Cllr Peter Clayton, Jennifer Whitten (virtual)

Non-committee members present: Cllr Steve Ashton (as sub), Cllr Liz Leyshon (virtual), Cllr Tessa Munt (virtual), Cllr Evie Potts-Jones (virtual), (Cllr Leigh Redman (virtual), Cllr Marcus Kravis (virtual), Cllr Andy Dingwall (virtual)

Officers present: Jason Vaughan (Director of Finance and Governance, Angela Farmer (Local Government Reorganisation Risk Manager), Alastair Woodland (Head of Audit SWAP Internal Audit Services), Julie Masci (Director Audit Grant Thornton LLP), Barrie Morris (Director and PSA Head Audit Quality Regulation, Audit Grant Thornton LLP), Anton Sweet (Service Manager Investments), Pam Pursley (Risk Manager), Stephanie Gold (Senior Democratic Services Officer) and Jonathan Hallows (Democratic Services Officer).

Agenda item 1: Apologies for absence

Apologies for absence were received from

- Cllr Tim Kerley
- Cllr Mike Lewis (substituted by Cllr Steve Ashton)

(the apologies were due to a meeting clash with South Somerset District Council Audit committee)

Agenda item 2: Declarations of interests

Cllr Mike Carswell informed the committee that he is a recipient of a local government pension fund.

Agenda item 3: Minutes of the previous meeting held on 28th July 2022,

The minutes of the previous meeting held on 28th July 2022 were approved subject to two corrections being made to officer names and job titles. In addition, members asked the clerk to ensure that the minutes of the meeting, particularly member questions and the responses received, were detailed consistently throughout.

Agenda item 4: Public Question Time

There were no members of the public registered to speak. The Chair advised that a late question had been received from a member of the public, and that a full written response would be sent.

Agenda item 5: Work programme

Jason Vaughan (Head of Governance and Finance and S151 Officer) presented the current work programme and invited questions and comments from all members of the committee.

After a brief discussion between members and officers it was agreed that the 'Informing the audit assessment' reports from Grant Thornton LLP would be reviewed at the November meeting of the audit committee.

Agenda item 6: External audit progress report

Barrie Morris (Director Grant Thornton LLP) introduced the external audit progress update report and advised that the audit had made a strong start with lots of evidence being returned promptly. Unfortunately, over the past couple of weeks there had been some challenges with maintaining that momentum, particularly evidence concerning valuation of assets, but this has been escalated to the Head of Governance and Finance to try and progress this as soon as possible.

He advised that there are no significant issues arising from the audit to date and asked members to refer to the current work programme which advised that the full Audit findings and Accounts would be coming to the November meeting, but that this was subject to a statutory override adjustment being put in place by Department Levelling Up, Housing and Communities to resolve nationwide issues concerning Infrastructure Assets.

The following comments and questions were received from members

- What are the reasons for the issues with valuation of assets at the current time? Is this to do with resourcing? The Head of Governance and Finance officer acknowledged that this had been an issue for some time, and agreed that it was disappointing, but that it was being addressed.
- A suggestion that the final accounts come to committee subject to the statutory override adjustment being implemented. The Director of Grant Thornton LLP agreed that this would be the case.

The Chair thanked the officers for their attendance and the committee accepted the report.

Agenda item 7: External Audit - Somerset Pension Fund Audit Findings Report

Julie Masci (Director Audit Grant Thornton LLP) introduced the Audit findings report for the Somerset Pension Fund. She advised that the audit had gone very well with work

substantially complete and expressed her appreciation and thanks to all involved in pulling the audit together. In terms of overall conclusions, she advised that it was anticipated that an Unqualified opinion would be signed off, meaning that the audit is clean with material adjustments arising from the audit being identified. She asked members to consider the following key aspects of the report:

- Page 36 - Risks that are reported as 'not considered a significant risk' are reported for compliance to the International Auditors Standards and for completeness.
- Page 37 - Management override of controls, there are no significant issues identified here.
- Valuation of investments - Level 3 are the harder to value investments and we spend a lot of time looking at these.
- Page 38 - Valuation of pensions liability – no significant issues identified from our work
- Page 39 - Controls, systems and processes. This involves ICT controls which we have brought your attention to and a response to this has been addressed in the management response.
- Page 52 sets out the action plans that have been produced in agreement with senior leadership and management teams.

The following comments and questions were received from members:

- What are the processes for the procurement of actuary appointments for the fund? The service manager Investments advised that this was done via a framework overseen by 'Norfolk'. An actuary is appointed where they can demonstrate the skills and qualifications to conduct the work and there are no concerns over their abilities at this time. Retendering of the actuaries is due in 2024 and it was anticipated that a joint procurement exercise would be undertaken with Devon County Council.
- Page 39 - Controls systems and processes: Deficiencies that were evident last year include policies that were not enforced. The committee were advised that although issues had been identified previously, systems and controls were in place to manage these issues.
- Concerns that when 'issues' had been identified but instances of the issue had not been found, the issue was then not taken further. Is this a sensible approach to take?
- What is a 'framework'? The Service Manager Investments gave members a broad overview of frameworks and how they work to increase efficiencies in a Local Authority context.
- Page 42 - Tri annual review for pension fund was due 31st March 2022. Has this been done? The Service Manager Investments advised that this was required every three years and that the next one is due 31st March 2022. This date is the deadline for collection of the data, and the draft results are expected to be brought to the pensions committee by the end of year. Following this the formal report is usually submitted by March of the following year (2023).

The Chair thanked all the officers for their attendance and the committee accepted the report.

Agenda item 8: Internal audit progress report September 2022

Alastair Woodland, Head of Audit at SWAP Internal Audit Services provided members with the regular progress update, highlighting the following key points from the report-

- Page 60 – Overview of Audit plan since July, note that there is one ltd assurance opinion to bring to your attention.
- Page 62 – Somerset County Council strategic risks and where this audit work falls against those risks.
- Page 63 – Track and monitoring of recommendations that are ltd or no assurance audits.
- Page 66 – School conditions survey. Actions have been agreed and those will feature in the track and monitor dashboard as above.
- Page 67 - appendix C details follow up works that have been taken and whether recommendations have been implemented.
- Page 67 - Mental Health and Care plans. These are being monitored and will remain on the tracker.
- Page 68 – Supplier resilience – The actions that have been taken significantly reduce the risk in this area.
- Page 69 – Highway application for payments – There is one priority outstanding, and this is still a risk area, but new contracts are going to implemented in 2024 and therefore SWAP is not proposing to do any more work in this area.
- Appendix D is an overview of the Audit plan for the year. This is flexible and can be amended throughout the year.
- Appendix E provides details on LEP grants.

The following comments and questions were received from members:

- Page 61 – Use of ‘Scrutiny role’ - The role of an audit committee is not to scrutinise.
- Page 63 – We welcome the ‘rationalising of recommendations’ due to pressures of Local Government Reorganisation
- Regarding LGR, Will SWAP be using information from PWC when looking at quality assurance of LGR? The Head of Audit for SWAP confirmed that SWAP will be working with PWC on quality assurance for LGR, but this would not be reported to this committee, but under the LGR programme itself. Suggest this committee liaise with the LGR programme on this.
- Page 67 Appendix C Mental Health care plans states that ‘Audit trail for care plans is not always complete’ however page 70 – Mental Health care plan review is marked as complete. Are these two different things? The Head of Audit explained that although

the review is complete, these actions will remain on the tracker to continue to reduce the risk in this area.

- Page 69 Appendix C - Highways application for payment – are we not concerned that this risk could escalate in the next 18 months? The Head of Audit agreed that whilst this is a priority one risk, but as there is no further work being done in that area, there is no need for any further audit of the area at this time. After some discussion members requested a written follow up on this, prior to the next meeting.
- Page 67 Appendix C – Mental Health care plans – It is concerning to read that ‘in some cases there is no evidence of the financial value of the package of care being approved’. Can the committee request a written follow up on this also?
- Members discussed and agreed to request that the Audit committee may call in all Priority One risks areas for follow up.

The Chair thanked the officer for his attendance and the committee accepted the report.

Agenda item 9: Local Government Reorganisation strategic risk update

Angela Farmer (Local Government Reorganisation Risk Manager) gave an update on the Local Government Reorganisation Risk register with a series of slides. She explained the levels of risk for the programme; strategic level, and programme level and that reviewing and monitoring LGR risks is achieved by:

- Weekly meeting with programme director to discuss current risk from different perspectives.
- Monthly reporting to the LGR programme board
- Monthly reporting to workstream boards (workstream risks are also fed into the reporting to the LGR programme board above)
- Monthly reports are taken to the LGR joint Scrutiny committee

The LGR Risk Manager highlighted two new risks that have been added to the register and this is detailed within the register.

In early assessments, the work of Quality Assurance and LGR Risk Management is broadly in line, which is reassuring as we work through the LGR programme.

The following comments and questions were received from members.

- Concerns regarding the matrix used in the report as this is not familiar to members. Members requested that the more familiar 5/5 matrix is used here.
- In terms of any inherent and residual scores being the same, does this mean that none of those controls and actions are working? The LGR Risk Manager acknowledged this can be concerning, but also that some risks can only be mitigated so far, and there may be times when risk is tolerated, rather than reduced.

- Further concern that the 'weighting' matrix used in the register is liable to subjective interpretation and is therefore not an appropriate measure.
- Page 85 ref 24 – Section 24 Protocol. What independent checks are in place to make sure the Section 24 protocol is being followed by all councils? The Head of Governance and Finance explained how the S24 protocol works and assured members that this protocol is being monitored by all S151 officers including himself as the S151 officer for the continuing authority.
- On this report there are a lot of reds and ambers, how often are these risks scores reviewed? The LGR Risk Manager explained that the risks are reviewed monthly in the main, but some are reviewed weekly. Not all risks will close when the LGR programme is complete, in some cases the risks will continue and be carried over into the risk register for the new Somerset council. E.g., regional, and nationwide recruitment and retention risk.
- Can we include illustrations for 'direction of travel' in this analysis?
- Regarding risk identified with recruitment and retention of staff, can we have more assurance that this council is doing all it can to mitigate this? The Chair explained that whilst the LGR Risk Manager measures and monitors the risk, the details on actions in place and the impacts of LGR on this area would need to come from the risk owner.

The Chair thanked the officer for their attendance and the committee accepted the report.

Agenda item 10: Any other urgent items of business

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

(MEETING CLOSED 11.23am)