



Audit Committee - Thursday 22nd October 2020

Please find attached a copy of the draft minutes from the meeting held on 25 June 2020.

Agenda Item 1

South Somerset District Council

Draft Minutes of a meeting of the **Audit Committee** held by video-conferencing using Zoom meeting software on **Thursday 25 June 2020**.

(2.00 pm - 3.30 pm)

Present:

Members: Councillor Martin Carnell (Chairman)

Robin Bastable	Paul Maxwell
Mike Best	Robin Pailthorpe
Brian Hamilton	Jeny Snell
Mike Hewitson	

Officers

Alastair Woodland	Assistant Director, SWAP
Nicola Hix	Director (Support Services)
Paul Matravers	Specialist (Finance)
Angela Cox	Specialist (Democratic Services)
Becky Sanders	Case Officer (Strategy & Commissioning)

Also Present:

Derek Yeomans	Independent Member
Clare Paul	

62. Minutes (Agenda Item 1)

It was noted there was a spelling mistake in the second paragraph of minute 59.

Subject to the correction being made to minute 59, the minutes of the previous meeting held on 14 May 2020 were approved as a correct record, and would be signed by the Chairman.

63. Apologies for absence (Agenda Item 2)

Apologies for absence were received from Councillors Dave Bulmer and Malcolm Cavill.

64. Declarations of Interest (Agenda Item 3)

There were no declarations of interest.

65. Public question time (Agenda Item 4)

No members of public were present at the meeting.

66. Date of next meeting (Agenda Item 5)

Members noted the next meeting of the Audit Committee was scheduled for 10.00am on 30 July 2020 and would be held as a virtual meeting using Zoom.

67. Internal Audit Outturn Report 2019/20 (Agenda Item 6)

The Assistant Director (South West Audit Partnership) presented the report which updated members on the Internal Audit Plan 2019-20 Outturn and brought to members attention any significant findings identified through the auditing work. He highlighted some elements of the report including:

- Audit areas given partial assurances.
- Key corporate risks
- Changes to the Audit Plan and rescheduled audits – Wide Area Network review not completed during 2019/20.
- Audit Plan for 2020/21 will be constantly reviewed
- Summary of significant findings and further detail of some of the issues.

During discussion, several members raised their concerns and suggestions, some of which included:

- Four partial assurances with one of high importance is a significant concern and risk to reputation of the Council.
- There is a common theme running through the partials – lack of training and management.
- Members reflected they felt when Audit Committee was previously held monthly there was more opportunity for officers to provide frequent updates about what was being done to remediate a partial assurance. Waiting six months for an update is too long.
- Some of the issues may not be the responsibility of a single person.
- The Audit Committee has a responsibility to monitor, challenge and seek assurances. Many of the partials have cross cutting responsibilities and likely little to be gained by trying to hold a single person to account.
- There is merit in a having regular updates on a particular action rather than a full report.
- Without an explanation regarding the start of the impact from Covid – it reads as a poor report. Many points in the report would have been known before the Covid restrictions.

The Director (Support Services) noted she would be happy to take the comments made back and discuss with the Director (Service Delivery) as the partials were all within her directorate. She acknowledged the comments made, and explained that the Covid situation was having a huge impact on teams. Management were monitoring workloads and performance but the Covid situation would have an impact on response times for the issues raised.

The Assistant Director (SWAP) responded to points of detail raised during discussion including:

Clarification that part of the Audit Committee's role is the tracking and monitoring of Audit recommendations, and he could look to bring forward an update report to the committee.

- There had been some delay in quarterly reporting due to Covid and pressures on staff. No reason why he could not now engage with officers for an update.

The Chairman confirmed that a regular agenda item was needed for monitoring the recommendations of audits (SWAP), which was agreed by members. At the end of discussion, the majority of members were content to note the report. One member was uncomfortable agreeing with the report as the outcomes of some audits were not as would have expected.

RESOLVED: That the report on the progress made in delivery of the 2019/20 internal audit plan and the significant findings since the previous update, be noted.

(Voting: 6 in favour, 1 against)

68. Internal Audit Annual Report and Opinion 2019/20 (Agenda Item 7)

The Assistant Director (South West Audit Partnership) presented the report which provided an update on the position of the Internal Audit Plan at the end of 2019/20 and also provided Internal Audit's overall 'Opinion' on the systems of internal control at SSDC. He highlighted key points in the report and highlighted the breakdown of priority recommendations and actions as detailed in appendix B, and also noted that adverse opinions had already been reported to the committee previously. He reminded members that part of the committee's role was to track and monitor the audit recommendations, and to be satisfied that actions had been implemented and issues rectified.

He referred to the SWAP Performance section of the report, and noted that SWAP were required to be independently assessed at least every five years to confirm conformance to the required standards (International Professional Practices Framework). An assessment had been recently completed and confirmed that SWAP 'Generally Conform'. He noted that he would like to bring a report forward to the committee about actions required following the assessment.

In response to points of detail raised during a short discussion, the Assistant Director (SWAP) noted that:

- The audit of the auditors had been finalised in May. SWAP were now looking at how best to share the information with Members, and a report would be scheduled for committee in the near future.
- Historically the opinions for SSDC were generally reasonable assurance with some partials. There had been some issues but these had been addressed.
- SSDC had gone through significant change and there will be a significant impact due to Covid in the 2020/21 year.
- Actions regarding Opium Power had been reported previously, but he would be happy to respond to detailed questions from members by email.

At the end of discussion, members agreed to note the report.

RESOLVED: That the Annual Opinion on the effectiveness of the internal control environment in the delivery of SSDC objectives be noted.

69. 2019/20 Treasury Management Activity Report (Agenda Item 8)

The Specialist (Finance) presented the report which reviewed treasury management activity and the performance against the Prudential Indicators for the 2019/20 financial year and in accordance with the Council's Treasury Strategy, Annual Investment Policy and Treasury Management Practices. He noted most of the year had gone well, but then at the end of the financial year the situation with the Covid pandemic had had a significant impact on the investments – pooled fund investments had gone down, and borrowing had gone up. He drew attention to key elements of the report including paragraphs 8, 14, 15, 20, 22, 32, 35, 36 and 40.

During a short discussion the Specialist (Finance) and Director (Support Services) responded to points of detail, and some of their comments included:

- No contingency or scenario planning had been undertaken to date regarding the possibility of negative interest rates. The concern would be raised with Arlingclose, the Council's treasury advisors.
- SSDC needs to be in each of the pooled funds for three to five years. If money withdrawn now would lose approximately £2.2m, but the average return since 2013 had been over 5%. Indications were the value of investments were starting to recover.
- The Minimum Revenue Provision (MRP) was carefully monitored, and funds were allocated to an MRP account.

At the end of discussion, members unanimously agree to note the recommendations detailed in the agenda report and to recommend the Treasury Management Activity Report to full Council.

RESOLVED: That the Audit Committee agreed to:

- Note the Treasury Management Activity for the 2019/20 financial year;
- Note the position of the individual prudential indicators for the 2019/20 financial year;
- Note the outlook for the investment performance in 2019/20;
- Note the Council operated within all of the Prudential Indicators during 2019/20;
- Recommend the 2019/20 Treasury Management Activity Report to full Council.

70. Audit Committee Forward Plan (Agenda Item 9)

The Chairman noted two items would be added to the Forward Plan as had been discussed earlier on the agenda:

- A report / summary on the audit assessment of the South West Audit Partnership (SWAP) – possibly for July.
- Monitoring the recommendations of SWAP following audits – this would probably require discussion with management and therefore would be with a date to be confirmed.

Members were content to note the Forward Plan subject to the additional two reports being added as advised by the Chairman.

RESOLVED: That the Audit Committee Forward Plan be noted subject to the following

reports being added:

- A report / summary on the audit assessment of the South West Audit Partnership (SWAP) – possibly July.
 - Monitoring the recommendations of SWAP following audits – date to be confirmed.
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Chairman