

South Somerset District Council

Minutes of a meeting of the **Audit Committee** held in the **Council Chamber, Council Offices, Brympton Way, Yeovil on Friday 24 March 2023.**

(10.00 am - 11.05 am)

Present:

Members: Councillor Mike Hewitson (Chairman)

Mike Best
Brian Hamilton
Andy Kendall

Tim Kerley
Tony Lock
Derek Yeomans (IM)



Officers

Jane Portman
Jill Byron
Nicola Hix
Paul Matravers
Jessica Power
Brendan Downes

Chief Executive
District Solicitor & Monitoring Officer
Director (Strategy, Support & Environmental Services)
Lead Specialist (Finance)
Lead Specialist (Strategic Planning)
Lead Specialist (Procurement, Performance & Change) –
online via Zoom
Specialist (Democratic Services)
Specialist (Scrutiny & Member Development)
Case Officer (Strategy & Support Services)

Also Present:

Barrie Morris
Beth Bowers
Dan Povey
Alastair Woodland

Key Audit Partner (Grant Thornton)
Manager (Grant Thornton) – online via Zoom
Audit Manager (Grant Thornton) – online via Zoom
Assistant Director (SWAP)

77. Minutes (Agenda Item 1)

The minutes of the previous meeting held on 26 January 2023 were approved as a correct record and signed by the Chairman.

78. Apologies for absence (Agenda Item 2)

Apologies for absence were received from Councillors Robin Bastable, Dave Bulmer, Paul Maxwell and Colin Winder.

79. Declarations of Interest (Agenda Item 3)

There were no declarations of interest.

80. Public question time (Agenda Item 4)

There were no members of the public present at the meeting.

81. Draft Annual Governance Statement 2022-23 (Agenda Item 5)

The District Solicitor & Monitoring Officer presented the report which had been prepared for the Audit Committee to consider if the Council's Draft Annual Governance Statement (AGS) for 2022-23 properly reflects the corporate governance arrangements in place for the year to date. She noted it was unusual situation as normally the AGS would be considered later in the year, but due to the transition to the new authority there was a need to consider the AGS as draft now.

At the request of the Chairman, the Monitoring Officer highlighted the major changes from last year including the legal arrangements of transitioning to the new unitary authority and also there had been a Judicial Review during the year.

There were no questions or discussion, and members were content to note the recommendations in the report.

- RESOLVED:**
- a) That Audit Committee approved the 2022-23 Draft Annual Governance Statement and recommends it for approval by the Leader of the Council and the Chief Executive.
 - b) That the 2022-23 Draft Annual Governance Statement is recommended to the new Somerset Council for approval alongside the South Somerset District Council Statement of Accounts 2022/23.

(Voting: Unanimous)

82. Interim Audit Findings Report 2021/22 (Agenda Item 6)

The Lead Specialist (Finance) introduced the report which presented the external auditor's (Grant Thornton UK LLP) Interim Audit Findings Report for 2021/22.

The Manager (Grant Thornton) and explained that it was originally planned that the 2021/22 work would be completed by March, however there were a number of key reasons why it had not been possible to complete and these were set out in within the headline sections of the report. She explained they had experienced some similar difficulties following on from last year's audit including:

- Valuation of the group PPE (Property, Plant and Equipment) and receiving reports from an external provider in a timely manner
- Some issues similar to the previous period relating to loss of corporate knowledge due to staff leaving the authority, or slow responses to specific queries where there have been capacity restraints. It was acknowledged that this has been largely down to the Local Government Reorganisation process.
- Appreciate staff are doing what they can in order to respond in a timely manner.

The Manager (Grant Thornton) highlighted key elements of the report, some of the points included:

- Materiality for the financial statements – important to note this had remained the same as reported in the audit plan.
- Work on the audit undertaken to date on the significant risk areas of the audit – work is ongoing for all the areas but some are better progressed than others.
- Pension fund audit. – salary assumption had been challenged and updated.
- An amendment being required in relation to the presentation of grant income – regarding treatment of COVID grants - agent or principal.
- Minimum Revenue Position (MRP) - work currently in progress as difference of opinion between Auditors and SSDC financial staff in relation to capital loans to third parties. Need to consider the cumulative impact on reserves and this was also reported as part of last year's audit.
- Regarding going concern – when the audit opinion is provided it will include an emphasis of matter paragraph which will make clear that SSDC has demised and that all assets and functions have transferred to the new authority, Somerset Council.
- Appendix B - Follow up of prior year recommendations – a number of recommendations had either only been partially actioned or not been actioned yet – reminder that its's important to action as many recommendations as possible prior to preparation of the 2022/23 financial statements which will be commencing shortly.
- Appendix D - Proposed fees are to be confirmed.

In response to some of the points made, the Director (Support, Strategy & Environment Services) reassured members that the team were fully committed to completing the audit in a timely manner and would endeavour to get it completed as quickly as possible. She highlighted there were a number of reasons for the delays and multiple teams were involved in addition to finance. There had also been discussions as a Somerset Council on the issues with MRP and responses had gone back to queries that the auditors had raised and discussions were ongoing.

During a short discussion, the Director (Support, Strategy & Environment Services), Lead Specialist (Finance), and Key Audit Partner (Grant Thornton) responded to points of detail and provided some more information regarding:

- Costs of the MRP, the impact if it is undercharged, and a brief explanation as to why SSDC wouldn't make the adjustment.
- Valuation of PPE
- How exposed the Council was compared to other authorities.
- Pensions and revaluation

At the conclusion of discussion members were content to note the report.

RESOLVED: That Audit Committee considered the matters identified in the interim report, noted the draft audit findings as outlined in the report and noted the next steps.

83. 2021/22 Auditor's Annual Report (Agenda Item 7)

The Key Audit Partner (Grant Thornton) introduced the report that detailed the Auditor's findings on arrangements in place at the Council to secure Value for Money, including whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. He highlighted the Executive Summary and noted the strong progress that had been made.

The Audit Manager presented the report in more detail and highlighted key elements, including:

- Overall positive direction of travel
- Referring to the Executive Summary – no significant weaknesses had been highlighted, however, some areas could be strengthened.
- Council's Commercial Property Portfolio – no continuing significant weaknesses and now complying with Prudential Code published in December 2021.
- As part of improvement recommendations it's recognised that the new Council will inherit quite a large portfolio from all the district councils.- - additional work carried out to assess risks around governance arrangements to support the transition to the new Council.

The Chairman noted that officers working with both the internal and external auditors had worked really hard on the governance framework to ensure that better controls were in place. He conveyed his thanks to officers for that work.

The Chief Executive noted that she was personally delighted to see the strong progress made that the external auditors had referred to. It was pleasing to see that the good progress had been recognised, and hoped it gave the Audit Committee reassurance that issues had been addressed. She thanked the Audit Manager for the professional way in which he had undertaken the audit.

In response to a query, the District Solicitor & Monitoring Officer explained that any recommendations in the Auditor's report would be passed forward to the new Somerset Council to be considered. The new authority would be looking carefully at the commercial arrangements and how they might be dealt with going forwards.

There was no discussion and members were content to note the recommendations as detailed in the agenda covering report.

RESOLVED: That Audit Committee:

- Noted the Auditor's Annual Report and recommendations
- Noted and endorsed management's proposed responses and actions to the improvement recommendations.

84. SWAP Internal Audit Plan Outturn Report 2022-23 (Agenda Item 8)

The Assistant Director (SWAP) presented the report which provided an update to members on the Internal Audit Plan 2022/23 progress and to highlight any significant findings identified through work since the previous update in January. He highlighted key elements of the reports and some of the points included::

- Work programme update and items that would continue into the new authority
- Limited assurance audits and follow-up audits
- Records management was an area that would probably need further work in the new authority – a workstream in LGR (Local Government Reorganisation) was look at the matter to make sure appropriate arrangements are in place for records management - a challenge due to the range of services delivered and the number of different databases and systems in use.
- Good progress is being made to address recommendations from the Council Tax and NNDR audit.

In response to a question, the Assistant Director (SWAP) explained that ongoing audits would continue into the new authority and no work would be lost. The outcome of ongoing or draft audits would be reported to the new Somerset Council or appropriate committee.

There was no further discussion, and members were content to note the report.

RESOLVED: That Audit Committee noted the progress made in delivery of the 2022/23 internal audit plan and the significant findings since the previous update.

85. Internal Audit Annual Opinion Report 2022-23 (Agenda Item 9)

The Assistant Director (SWAP) presented the report which provided an update on the position of the Internal Audit Plan at the end of 2022/23, and also provided Internal Audit's overall 'Opinion' on the systems of governance, risk management and internal control at South Somerset District Council. The overall opinion for the year was reasonable assurance, which was a good assurance level and the detailed narrative was contained within the report. He explained in more detail about the purpose of the Opinion Report and where improvements had been made from the previous years.

The Chairman, on behalf of Audit Committee, thanked the Assistant Director (SWAP) for all the work that had been done for SSDC over the years and noted it had always been helpful to have a critical friend in helping the authority to improve.

During a brief discussion, the Assistant Director (SWAP) responded to a point of detail regarding Audit Coverage by Strategic Risk and specifically the risk that SSDC members lose engagement post election during unitary transition.

The Chief Executive drew members attention to the 'At a glance' section of the report and noted the reduction in internal audit agreed actions for this year compared to the previous year, and this was seen as significant progress. She also highlighted the two audit assurance opinions of substantial compared as there had been no substantial assurances the previous year.

There being no further discussion, members were content to note the report.

RESOLVED: That Audit Committee noted the Annual Opinion on the effectiveness of governance, risk management and internal control in the delivery of SSDC objectives.

86. SSDC Strategic & Corporate Risk Register for Quarter 4 (Agenda Item 10)

The Lead Specialist (Procurement, Performance & Change) presented the report which informed Audit Committee on the status of the Strategic and Corporate Risk Register at the close of quarter 4, and also the cover arrangements to transition the District risks to the new Somerset Council. Risks across all the Somerset authorities had been aligned. He highlighted that the related Somerset Council Risk column detailed in the table on pages 134-136 of the agenda were proposals only at this stage.

In response to a point of detail, the Lead Specialist explained briefly about scores and mitigation.

There were no further questions or discussion, and members were content to note the report. The Chairman thanked the officer for all his work and conveyed best wishes going forwards.

RESOLVED: That Audit Committee noted the closure and assimilation of SSDC strategic and corporate risks into the proposed new Somerset Council risk register.

87. Civil Contingencies Update (Agenda Item 11)

The Lead Specialist (Strategic Planning) presented her report which provided an annual update on strategic civil contingencies work that has occurred since April 2022. She highlighted key events over the past year and it was noted a multi-agency review of the response to the flooding situation on the Somerset Levels and Moors earlier in 2023 was currently being undertaken.

In response to a point of detail raised, the Lead Specialist gave a brief overview of the new arrangements for civil contingencies in the new Council going forwards. She explained that all calls for any incident would go through the main Somerset Council number and then calls would be filtered through to the appropriate duty officer.

There being no further discussion, on behalf of the Audit Committee the Chairman thanked the team for all the work that had been done, particularly through Operation London Bridge.

Members were happy to note the report.

RESOLVED: That Audit Committee noted the report.

88. Health and Safety Update (Agenda Item 12)

The Lead Specialist (Strategic Planning) presented her report which updated Audit Committee on the strategic Health and Safety arrangements, and provided monitoring data for the calendar year 2022. She explained the team had been busy doing a lot of work in preparation for vesting day of the new authority.

In response to a point of detail about training for officers and members, the Lead Specialist (Strategic Planning) and Director (Support, Strategy & Environmental Services) explained that uptake of the training by officers had been very high, but unfortunately the uptake by members had been minimal despite reminders being sent.

There was no discussion and members were content to note the report.

RESOLVED: That Audit Committee noted the update on Health and Safety as detailed in the report.

89. Report on Whistleblowing for the Municipal Year 2022-23 (Agenda Item 13)

The District Solicitor & Monitoring Officer presented the report which provided the Audit Committee with a summary of Whistleblowing disclosures recorded during 2022-23. She noted this was a routine annual report, and no disclosures had been received during the past year.

There was no discussion and members were content to note the report.

RESOLVED: That the report on Whistleblowing for the Municipal Year 2022-23 be noted.

As this was the last meeting of Audit Committee, prior to closing the meeting the Chairman thanked all members for their contribution. He also thanked staff from Grant Thornton and SWAP for all of their support and advice. Staff from Democratic Services and the Finance teams were also thanked for their contribution and support during challenging times. He wished everyone luck in the new authority going forwards.

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Chairman