

Minutes of a Meeting of the Audit Committee held in the Luttrell Room - County Hall, Taunton TA1 4DY, on Thursday, 29 June 2023 at 10.00 am

Present:

Cllr Mike Hewitson (Chair)
Cllr Andy Sully (Vice-Chair)

Cllr Steve Ashton
Cllr Simon Carswell
Cllr Mandy Chilcott
Cllr Tim Kerley

Cllr Lee Baker
Cllr Norman Cavill
Cllr Simon Coles

13 Apologies for Absence - Agenda Item 1

Apologies were received from Cllr Mike Caswell (in virtual attendance), Cllr Shane Collins, Cllr Habib Farbahi, Jennifer Whitten (in virtual attendance).

14 Declarations of Interest - Agenda Item 2

15 Minutes from the Previous Meeting - Agenda Item 3

The minutes of the Audit Committee meeting held on 27 April 2023 were agreed upon, with the following amendments to Agenda item 6, Page 15, and signed by the Chair as an accurate record of the meeting:

- Replace Portfolio Holder for Resource with Lead Member for Resources and Performance
- Amend 'because of their ownership the funding had come from different budgets' to 'because of their ownership and management, the funding had come from different budgets'.

16 Public Question Time - Agenda Item 4

The Chair noted that there had been no public questions submitted by the published

submission deadline.

17 Report of Somerset County Council Audit Plan 2022/23 - Agenda Item 5

A Point of Order was raised regarding the inaccuracy of Agenda Item 5 title and the submitted report.

In response, Alastair Woodland, Assistant Director SWAP Internal Audit Services, advised that the correct report had been published, and that the title in the agenda was inaccurate, Somerset West and Taunton should read Somerset County Council.

The Assistant Director SWAP Internal Audit Services, Alastair Woodland, presented the report, highlighting, that the report detailed the outturn for the 2022/23 internal audit plan for Somerset County Council; the significant findings identified since the previous Audit Committee Meeting, 27 April 2023, including the two limited assurance audits of the Climate Emergency: Governance Arrangements and the school's financial value standard at Ashton's Community of England Primary School; the themed based work of the school programme scheduled to be reported at the 24 August 2023 Audit Committee Meeting; the availability of the new audit software system for 2023/24 and the provision of real time access to information in addition to the updates provided at Audit Committee; that the outstanding and agreed management actions are to be reviewed together with any actions outstanding from the previous County Council and four District Councils to produce a new dashboard for August 2023; the overdue audits and the follow up working taking place: School Balances, Transport Budget Governance, Community Learning Partnerships, Athena contract, Children Missing from Education; the work and progress of the Commission and Delivery in Schools Follow up; the four audit reviews that are unfinalised relating to Somerset County Council and the inclusion in 2023/24 Somerset Council report; summary of the outstanding District Council Work and governance and audit of the Housing - Service Charges, and the required action by Homes in Sedgemoor.

The Chair invited comments from other Members present, questions and points raised included; the duplication of content of Item 5 and Item 6 agenda reports, and

the clarification of the reports content; detailed reports requested additional to summaries of limited or no assurance audit items to provide context and enable the Audit Committee to consider and have in depth knowledge of risks and issues.

Alastair Woodland, Assistant Director SWAP Internal Audit Services, to circulate to Members of the Audit Committee, and where appropriate publish, full audit reports for limited or no assurance audits, additional to summaries in advance of the Audit Committee meeting, furthermore to circulate the Climate Emergency: Governance Arrangements – Final Report 2023 report, to all Audit Committee Members.

The Chair requested that the Climate Emergency Governance arrangements report to be added to the Audit Committee agenda, 24 August 2023.

The Vice Chair asked for an update on the 10 actions agreed by Management to be implemented by 1 June 24, regarding Climate Emergency: Governance Arrangements; including specifically what the actions are, the timeframe, the staffing structure and the carbon baseline measurement.

In response, the Executive Director, Climate and Place, Mickey Green, provided a summary of the work underway to bring together the former District Councils and County Council strategies to reflect the ecological emergency, financial challenges, the priorities of the administration and the delivery model going forward. The Executive Director, Climate and Place, further advised of the Climate Emergency report to be presented at the Scrutiny Committee - Climate and Place 19 July 2023.

Strategic Manager, Climate and Place, Jon Doyle, added to the above points, highlighting that the carbon baseline measurement work had now been completed, with the next steps to work across the wider Council to set carbon budgets; the development of the staffing structure and the inclusion of a bid writer following the transformation to Somerset Council.

The Committee noted the report.

Cllr Mandy Chilcot raised the point that the Progress Update Report (Agenda Item 5) and the Opinion Report (Agenda Item 6) from SWAP were exceedingly similar. Alastair Woodland, Assistant Director SWAP Internal Audit Services, explained that the reports contained the same information, however, the Opinion Report gave an overview of how well governance risk and control had worked throughout Somerset County Council (SCC) during 2022-23.

Alastair Woodland, Assistant Director SWAP Internal Audit Services, presented his report of Internal Audit Activity highlighting the internal audit plan agreed by the SCC Audit Committee in March 2022. Appendix D provided details on the progress made to date and any new work agreed. He commented that there were recommendations overdue. Mr Woodland confirmed that they would follow up on those recommendations with management to affirm they have been implemented and the risks in those areas had been reduced.

Alastair Woodland further noted that there were 4 reviews not yet finalised. These would be brought forward and included in the 23-24 Audit Plan for Somerset Council.

He noted that there were medium risk rated weaknesses, some isolated high risk weaknesses, but no critical weaknesses. It was further affirmed that 63% of the recommendations that were followed up were implemented and that SWAP were broadly satisfied with the results.

Alastair Woodland then went through the significant Corporate Risks for the 2022-23 year and noted that the reports which had not previously been finalised due to the legacy councils coming to an end, namely the Athena Contract and Climate Emergency: Governance Arrangements. These would be circulated to the Committee Members after the meeting. The Committee would then consider the reports and, if necessary, bring them to the next meeting agenda.

He further went through the significant strategic risks for the 2022-23 year and noted that they were in conformance with the public sector auditing standards.

Alastair Woodland confirmed that the two outstanding recommendations were a work in progress and they would assess what action needed to be taken and what impact that had on the risks in their follow up update appended to their progress report to the committee. The report would indicate whether they thought the risk was significantly reduced to move it out of limited assurance and no longer needed to be monitored. He assured the committee that these were high priority recommendations and would ensure that those would be implemented. However, the recommendations were still in the tracker and a report would be circulated straight

after the meeting to the Members.

Following a debate on internal controls, it was decided the Committee would work with Members and Officers to review and refine how the papers are managed and presented to ensure that the appropriate level of information is provided behind the summaries provided. For example, the year-end report would reflect which actions in relation to the risks had been taken and when the next action date was as well, because if any reports had been discussed during the year, they needed to be noted in the year-end report.

Cllr Mandy Chilcot queried the risks, school balances and assurance for adults and it was determined that the Committee would make a recommendation that the school balances be looked at by Children's Scrutiny. The S.151 Officer confirmed that school balances were recognised in the financial strategy report that would go to the Executive Committee on the 10th of July and also the Corporate and Resources Scrutiny Committee the week beforehand. This was identified as a key area.

The S.151 Officer further confirmed that, in terms of assurance for adults, there was a change in the reporting structure and this was with the Finance with the Service Director Finance & Procurement and there was an action plan to improve that. He further confirmed that there should be an audit on this soon.

The Service Director Finance & Procurement, Nicola Hix, affirmed that Officers were in the process of setting up the Performance, Risk and Budget Board. She pointed out that the outstanding audit recommendations and the risk report would be discussed there and that the Risk Manager and the Equalities and Risk Manager were also part of the office group that were looking at the tender references for that Board.

Ms Hix suggested that they take away some of the aspirations and concerns of the Audit Committee and feed that in to the board. She suggested that this could be the Officer's forum to feed up into Audit Committee. The Board could be used as a sounding board to disseminate information and gather information across the organisation and bring it up to Audit Committee.

The Audit Committee noted the report.

19 External Audit Plan Report for Somerset County Council 2022-2023 - Agenda Item 7

The Director of Audit Quality at Grant Thornton, Barrie Morris, confirmed that the above agenda item contained two reports. The Audit Plan Report for Somerset

County Council and Somerset West and Taunton.

He gave an overview of the planned scope and timing of the statutory audit of Somerset County Council and Somerset West and Taunton.

He confirmed that the Sedgemoor Audit was being finalised and would be signed relatively soon.

He mentioned that the 2021-22 audits for South Somerset District Council and Sedgemoor District Council were paused whilst Grant Thornton were undertaking their NHS audit work and these audits were recommencing from Monday.

Mr Morris confirmed that the government deadline of 30th September for the completion of the audits would not be reached. However, Grant Thornton would prioritise this Council's audits once the structure of the audits has been discussed with the S.151 Officer and finance team.

He apologised for the unacceptable position that the accounting profession was in but indicated that this was a notional problem and that Grant Thornton were one of the firms which were in a better position than the others. The government is looking at what they could do to get the accounting firms back on track.

He confirmed that the former Somerset Council and District Councils were not in a bad position compared to the position nationally.

The Public Sector Audit Manager at Grant Thornton, Liam Royle, presented the report on the Somerset County Council Plan noting that there were 5 bodies that they were responsible for reporting on. The 6th body in Somerset, was Mendip District Council but they had different accountants representing them, Ernst & Young.

He went on to explain how they were going to approach the audit in relation to the 5 bodies, highlighted the significant risks (which at the County was around revenue transactions, specifically on the fees and charges balances), as well as management override and controls, evaluation of land and buildings, assets and valuation of the pension fund net liability.

Mr Royle highlighted the risks and weaknesses around value for money as a result of 5 bodies merging into one council.

Mr Morris, confirmed that this entailed looking back at the arrangements as the new Council started. However, he stated that the new code did give them the ability to

report issues in a timely way and if there was something that impacted on the 23/24 audit they would be able to bring it to the Committees attention in a timely way.

The Chair queried whether the IT audit strategy would be implemented as part of the Microsoft Dynamics program which was taking over the accounting package for the Somerset Council. Liam Royle confirmed that it would not form part of the 22/23 audit but in the future it would be part of the audit strategy under the S.351 arrangement. The Chair confirmed that this underpinned the quality of all of the financial information that the authority would produce and he welcomed internal and external support to ensure that there was confidence in the quality of the financial information that the system produced in order to remain transparent to the public.

The Service Director Finance & Procurement, Nicola Hix, confirmed that the program worked very well and was being implemented. There was a triage team from Ernst & Young who helped put the system in and they were firstly working to clear the backlog of paying suppliers and hopefully the Council would be in a better position in three to four weeks' time to start reporting.

Cllr Mandy Chilcot queried the significant risks identified around fees and charges and other service income and wanted more to be included in budgeting reporting moving forward.

She further asked for clarification of the amount of £20 000 which was referred to as new NAO requirements which was 25% of the actual scale fee.

The Director of Audit Quality at Grant Thornton, Barrie Morris, confirmed that the National Audit Office (NAO) requirement fee had, in fact, not been changed for 3 years. The report reflected how the fee had been built up over the last 3 years and the figure has been added onto. The new value for money work was introduced in 2019/2020. The Public Sector Audit Appointments Limited (PSAA) approved this Value for Money every year and wanted it reflected separately in order to be transparent for authorities to see how the fee had built up over the years. The auditing industry was under close scrutiny since the Redmond Review.

The Chair requested clarification on why the NHS audit took priority over the Council's audit, which boiled down to the timing of the audits.

Cllr Lee Baker enquired what process the auditors had for reporting back to the Committee expeditiously when a discrepancy was picked up.

Mr Morris confirmed that they escalate challenges if there are deficiencies and their

arrangements through Executive Officers at the Council and then they in turn go to the Audit Committee Chair and Vice Chair to brief them.

The Chair confirmed that the management of the portfolio of the investment properties and assets inherited from these two legacy Councils was one of his top priorities.

The Audit Committee noted the report.

20 External Audit Plan for Somerset Pension Fund - June 2022-2023 - Agenda Item 8

The Public Sector Audit Manager, Liam Royle, presented his report and noted that the 22/23 year is a triennial review year for English Local Government Pension Scheme (LGPS) funds with a new baseline set per the data as 31st March 2022 to be used for the next three years. He noted that this would impact fees.

He highlighted the significant risks and further drew attention to the disclosure of audit related services, the ISA19 letters. He explained that this meant they finish this work in order to enable the work of the other audits to be signed off. They essentially issued the assurance to the other auditors, (Ernst & Young who audit Mendip District Council, for example) which gave them assurance that they could place some reliance on the estimate for pensions.

The Pension Fund Manager, Anton Sweet, mentioned the deficit and the Committee undertook to discuss this further to strategize how to get the deficit down.

The Chair pointed out that the Pension Fund's net liabilities had already been massively reduced from March 2022 to March 2023.

The Audit Committee noted the report.

21 Strategic Risk Review Report - Agenda Item 9

The Corporate Risk Manager Somerset Council went through the Strategic Risk Report for Somerset Council.

She confirmed that 17 risk were identified.

- 7 were new strategic risks.

- 6 were continuing strategic risks of the former Somerset County Council
- 4 were emerging risks.

This list would be reviewed by a meeting of the Corporate Leadership Team in July, latest August, and then would be brought to the committee again in time for the next audit meeting.

After discussions surrounding the level of engagement and support after the old County Council ended, it was decided that The Chair meet with The Corporate Risk Manager and the Equalities and Risk Manager regarding risk engagement, reporting and risk visibility for Members in order to improve the understanding of risk across the organisation and this would be put on the agenda for the next Audit meeting in August.

Cllr Mandy Chilcott asked for clarification on an item that was 477 days overdue and the S.151 Officer undertook to work with Executive Directors and the Corporate Management Team regarding the organisation and direction of travel for risk, including risk reporting, engagement and that strategic risks are regularly updated. This would be brought to the 24 August 2023 Audit Committee meeting.

The Audit Committee noted the report.

22 Draft Annual Governance Statement - Agenda Item 10

The Chair introduced the item, highlighting the publication omission of the Annual Governance Statement reports for Somerset West and Taunton Council and South Somerset District Council, advising that the reports to be circulated to all Committee members for review and comment.

The Director of Resources and Corporate Services, Jason Vaughan, further added to the above points; that the Annual Governance Statement of the five predecessor Councils have been published through the respective Councils process, and available in the public domain; that the five predecessor Councils Annual Governance Statement to be brought to the Audit Committee as one report, 24 August 2023.

The Audit Committee noted the report.

23 Update on the Expected Completed Statements of Accounts - Agenda Item 11

The Executive Director, Jason Vaughan, gave a verbal update on the expected completed statements of accounts, highlighting the national picture and the backlogs of outstanding audits; explained the key drivers and risks of publishing the accounts.

The Service Director, Finance and Procurement, Nicola Hix provided an update on the current position and publishing dates of the five predecessor Councils accounts.

The Audit Committee noted the verbal update.

24 Audit Committee Workplan 2023-2024 - Agenda Item 12

The Committee noted the Audit Committee work plan.

25 Any other Business - Agenda Item 13

(The meeting ended at 12.02 pm)

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CHAIR