

Minutes of a Meeting of the Audit Committee held in the Luttrell Room - County Hall, Taunton TA1 4DY, on Thursday, 28 September 2023 at 10.00 am

Present:

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

Cllr Steve Ashton
Cllr Mike Caswell
Cllr Mandy Chilcott
Cllr Habib Farbahi

Cllr Simon Carswell
Cllr Norman Cavill
Cllr Simon Coles
Cllr Tim Kerley

25 Declarations of Interest - Agenda Item 1

There were none.

26 Apologies for Absence - Agenda Item 2

Apologies were received from Councillor Lee Baker.

27 Minutes from the Previous Meeting - Agenda Item 3

Councillor Simon Coles proposed the approval of the minutes held on 29 June 2023 which was seconded by Councillor Andy Sully.

Having been duly proposed and seconded the Audit Committee **RESOLVED** to confirmed as a correct record.

28 Public Question Time - Agenda Item 4

There were no members of the public registered to speak.

29 External Audit Update for South Somerset District Council 2021-22 - Agenda Item 5

Barrie Morris, Director and PSA Head of Audit Quality - Regulation, Audit at Grant Thornton introduced the report highlighting that the list of outstanding work to be completed had greatly progressed and as at the date of the meeting the areas where work was still outstanding had been greatly reduced. He maintained that the aim was to sign the audit opinion at the next audit meeting in October.

Beth Bowers, Public Sector Audit Senior Manager, Audit, then presented the report

and highlighted the material adjustment which needed to be made to the net pension liability and that the new IS19 report was currently being processed in the financial statements.

Councillor Simon Coles queried whether the Council would be put into a bad light as the accounts would not be submitted in time and was assured that this was a national issue and not just down to the auditors.

The Chair queried if this posed a major risk in terms of governance and was assured that, despite this being a risk as the accounts were still open and if there were some new national changes to things, the focus on the team was to get the accounts across the line as soon as possible and regular updates would be provided. He confirmed that the support from the audit team had been really helpful to get these done.

Councillor Farbahi queried the income and expenditure figures and was assured by the finance team that the Council did have assurance around the figures which they were taking forward into the new Council.

Councillor Liz Leyshon commended the hard work and determination of both the internal and external audit teams on completing the work of the predecessor councils and was confident that it seemed as if Somerset Council would start in a much better position than other Councils in the same position.

After some deliberations surrounding the voluminous agenda it was agreed that in the meetings ahead verbal updates on work which was outstanding would rather be given than presenting the whole of the report.

Councillor Chilcott further queried the MRP (Minimum Revenue Provision) contributions matched by loan repayments and it was verified that the loans were being made by a 3rd party and repayments were made by a different accounting mechanism rather than MRP.

Councillor Chilcott queried the audit fees and it was pointed out that these were amounts which were agreed with PSAA (Public Sector Audit Announcements) as the formal fee variations and they had been rounded off to the nearest £50 for presentation purposes.

Councillor Andy Sully queried the debtors which the Council had carried forward relating to elections and asked whether the debt had been paid and how this was substantiated. It was agreed that a written response would be provided.

The Audit Committee noted the update report and the expected sign off date of 26th October 2023 as well as the additional fees.

30 External Update and Audit Conclusion for Sedgemoor District Council 2021-22
- Agenda Item 6

David Johnson, Audit Manager at Grant Thornton introduced the report and pointed out that the delay in the 2021-22 audit was as a result of issues with the 2020-21 audit. These were reflected in the small amounts of adjustments in this report.

After some discussions it was identified that some additional/refresher training would be welcomed on HRA (Housing Revenue Account), especially in terms of capital valuation.

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Councillor Mandy Chilcott referred to the housing underspend and asked what happened to that as it could have been used to help communities.

The S151 Officer undertook to research the history of this to find out what happened.

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The Audit Committee noted the Sedgemoor Statement of Accounts 2021-22.

The Audit Committee noted the Audit Findings Report and additional fees.

The Audit Committee noted the Sedgemoor District council Letter of Representation 2021-22 subject to the change of date which was an error on the letter.

31 External Audit Plan for Sedgemoor District Council 2022-23 - Agenda Item 7

David Johnson, Audit Manager at Grant Thornton, introduced his report and highlighted pertinent risks.

Councillor Mandy Chilcott asked for some clarification on RAAC as it was an unknown at the time of the audit but was mentioned in the Audit Plan.

Mr Johnson agreed that, albeit RAAC was unknown at the time of the audit, it fell into the same premise as the triannual review because the accounts were still open. He conceded that, despite not knowing the risks previously, and there was no consideration done on that, he would undertake to find out if it would affect the value of the assets and provide a written response on email.

Following deliberations surrounding value for money, the transition to a unitary council and statutory compliance it was confirmed that the accounts would be

closed down as soon as possible.

The Audit Committee noted the external Audit Plan for Sedgemoor District Council for 2022/23.

32 External Update for Somerset Pension Fund 2022-23 - Agenda Item 8

Liam Royle, Public Sector Audit Manager at Grant Thornton introduced his report and reported that the most pressing item was of the previously outstanding testing which had now been largely completed.

There was one significant point which was still outstanding of the IT work. The council was changing its IT system to use SAP, which was still ongoing, and they were waiting for that to be completed. Grant Thornton were still waiting for the IT Audit findings report for the Somerset Council which would include the finance system element for the Pension Fund.

There was also other IT work which was not completed and contributed to the completion of the Pension Fund findings report which Grant Thornton were still waiting for.

The Audit Committee noted the Pension Fund Report.

The Audit Committee noted the audited accounts of the Pension Fund for 2022-23.

The Audit Committee noted the letter of representation which would be formally signed along with the Somerset County Council letter of representation on the completion of the Somerset County Council audit.

33 External Audit Update Report and Mendip District Council Statement of Accounts 2021-22 - Agenda Item 9

The Deputy Corporate Financial Advisor, Duncan Moss, introduced the report which gave an overview of the legacy Mendip District financial position and income and expenditure for the year.

Keven Suter from the external Auditors, Ernst & Young, were happy with the changes presented and there was nothing further to discuss as the Statement of Accounts were unqualified and there were no notable findings.

Councillor Sully noted that the MRP was not taken into account for investment properties in the past and queried whether they would do this in the future.

It was explained that the previous S151 Officer of Mendip District Council, Richard

Bates, agreed a MRP for investment properties and there was an MRP charge going through the investment properties but it was not the whole charge. Going forward this would align to Somerset Council MRPs policy.

Councillor Mandy Chilcott welcomed the reserves and mentioned that it was helpful and positive and the Chair congratulated the auditors and the legacy district for good financial standing.

- Councillor Simon Coles proposed the approval of the Statement of Accounts for 2021/22 which was seconded by Councillor Tim Kerley.

Having been duly proposed and seconded the Audit Committee **RESOLVED** to approve the Statement of Accounts for 2021/22.

- Councillor Simon Coles proposed to agree the changes to the Annual Governance Statement for 2021/22 which was seconded by Councillor Tim Kerley.

Having been duly proposed and seconded the Audit Committee **RESOLVED** to agree the changes to the Annual Governance Statement for 2021 -22.

- Councillor Simon Coles proposed the consideration of the reports from the external Auditors Ernst &Young which was seconded by Councillor Andy Sully.

Having been duly proposed and seconded the Audit Committee **RESOLVED** to agree of the reports from the external Auditors Ernst &Young.

34 Internal Audit Plan Progress Report for Somerset Council 2023-24 - Agenda Item 10

Alastair Woodland, Assistant Director SWAP Audit, introduced his report and highlighted the enhancements made to the internal audit process by the introduction of a new dashboard which allowed officers and management to have access to live data on the implementation of agreed actions.

He further went through the planned audit work for Somerset Council's key strategic risks and that they were being managed and mitigated down.

In response to questions regarding schools, Mr Woodland confirmed that there is work being done around schools and schools balances. He confirmed that there were working groups in place working with the schools to try and get them to a more sustainable budget position. He gave his assurance that there would be further reports surrounding this at different Committees.

The Audit Committee noted the position of the 2023-24 Internal Audit Plan and the governance risk and control matters raised in the report since the previous update in June 2023.

35 Strategic Risk Management Update - Agenda Item 11

Pam Pursley, Somerset Council Risk Manager, introduced her report and highlighted the risks which had been added since the last update in June 2023.

A new risk which was added was about general housing.

The other new risk was about LCNs (Local Community Network meetings) and the commitments of the business case to roll out the LCNs.

She further confirmed that the adult social care transition was a medium risk.

Councillor Andy Sully requested for the risk report to rate the highest rated risk first. Councillor Liz Leyshon undertook to find out how much progress had been made on the business plan and when it could be expected to come forward and she would get back to the committee.

- Councillor Mandy Chilcott proposed that all reports should have an enhanced section for the identification of risk and that:
 - the risk assessment matrix be included in the guidance for report authors;
 - the risk section in reports should include a table to record the risk and show the risk assessment score (in colour) and to get an update on progress at each audit meeting until resolved.

This was seconded by Councillor Norman Cavill.

Having been duly proposed and seconded the Audit Committee **RESOLVED** to approve the risk assessment matrix be included in the guidance for report authors and the risk section in reports should include a table to record the risk and show the risk assessment score (in colour) and to get an update on progress at each audit meeting until resolved.

- The Chair proposed that a referral be made to the Constitution and Governance Committee for them to consider the merit of introducing on the report template an assessment of the economic impact to business cases when deciding the success or failure of projects which was seconded by Mandy Chilcott.

Having been duly proposed and seconded the Audit Committee **RESOLVED** that a referral be made to the Constitution and Governance Committee for them to

consider the merit of introducing on the report template an assessment of the economic impact to business cases when deciding the success or failure of projects.

- The Audit Committee noted the current strategic risk management report and the ongoing work to continue to develop the risk management function of the Council.

36 Audit Committee Work Plan to May 2024 - Agenda Item 12

The Audit Committee noted the Workplan and **RESOLVED:-**

- To ascertain whether additional meetings were going to be needed to avoid another voluminous agenda.
- To ensure that the workplan and agendas have the same headings on them.
- To not include papers which do not need decisions on the agenda rather verbal updates be given.

37 Any other business - Agenda Item 13

There was none.

The meeting ended at 12:47

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CHAIR