

Minutes of a Meeting of the Audit Committee held in the John Meikle Room, The Deane House, Belvedere Road, Taunton TA1 1HE, on Thursday, 28 March 2024 at 10.00 am

Present:

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

Cllr Steve Ashton
Cllr Norman Cavill
Cllr Simon Coles
Cllr Gwil Wren

Cllr Simon Carswell
Cllr Mandy Chilcott
Cllr Habib Farbahi

In attendance:

Cllr Liz Leyshon

Other Members present remotely:

Cllr Peter Clayton
Cllr Rosemary Woods

Cllr Sarah Wakefield

The Chair, Cllr Mike Hewitson, advised the Audit Committee of changes to the Audit Committee Membership:

New Membership:

Cllr Gwil Wren - replacement for Cllr Shane Collins

Vacancy:

Place allocated to conservative group formerly held by Cllr Steve Ashton

75 Apologies for Absence - Agenda Item 1

Apologies were received from Cllr Lee Baker, Cllr Mike Caswell (attended virtual online), Cllr Tim Kerley (attended virtual online), Lindy Jansen van Vuuren.

76 Minutes from the Audit Committee 25 January 2024 Meeting - Agenda Item 2

The minutes of the Audit Committee meeting held on 25 January 2024 were agreed upon, with the amendment as below, and signed by the Chair.

Amendment Minute 63, Pg 14:

That the sustainable MTFP remains a significant risk, the effect of the control measures put into place, work and actions completed across the Council – The Executive Director - Resources and Corporate Services, Jason Vaughan, and the Deputy Leader of the Council and Lead Member for Resource & Performance, Cllr Liz Leyshon, advised that it is clear that under *the current financing model for Local Government the Council is not financially sustainable* and the need for urgent reform of the funding mechanism for Local Government is required.

To – the current financing model for Local Government the Council *in its current form* is not financially sustainable and the need for urgent reform of the funding mechanism for Local Government is required.

Matters arising:

- Transformation Programme update – to be received at Audit Committee 30 May 2024
- Joint Auditors Annual Report - management responses to be received at the Audit Committee 30 May 2024
- Aged debt and debt recovery management report – to be considered Audit Committee 30 May 2024
- SWAP written response to: How did Somerset Council discover high levels of unpaid placement invoices as well as the significant overspend in CLA placement costs, and why did spot placements not go through a tender process before being awarded? – any further queries to be directed to The Assistant Director SWAP Internal Audit Services, Alastair Woodland.

77 Declarations of Interest - Agenda Item 3

Cllr Gwil Wren declared receipt of a Somerset Council Pension.

78 Public Question Time - Agenda Item 4

No questions or statements were received.

79 External Audit Findings Report and Audit Conclusion for Sedgemoor District Council 2022/23 - Agenda Item 5

The Chair welcomed the Key Audit Partner, Grant Thornton UK LLP, Julie Masci.

The Key Audit Partner, Grant Thornton UK LLP, Julie Masci, presented the report, highlighting: that the 2022/23 external audit for Sedgemoor District Council had been finalised; that the audit finding report issued by Grant Thornton UK LLP presented an unqualified opinion of the audited accounts, accompanied by findings of the external auditors; including an emphasis of matter paragraph highlighting the Council's demise and the creation of Somerset Council from 1 April 2023; confirmed all outstanding work had been concluded; key findings and two significant matters: the Northgate yard asset and exit packages.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- Northgate Yard asset valuation change and reduction and property revaluation timescales and trends – Head of Corporate Finance, Ben Bryant, advised of the work with property services to provide asset classification and valuation, including assets under construction.
- Amendment page 39, from: -
Somerset West and Taunton invested a £37m commercial property portfolio in the three years to 2021/22

to

Sedgemoor District Council invested a £37m commercial property portfolio in the three years from 2021/22 - Head of Corporate Finance undertook to amend the report.
- Late supplemental reports and the challenge and pressure for Members to understand the level of detail – The Chair commented on the enormous and exceptional workload of the Audit Committee for 2023 – 2024, and projected a reduction in workload for 2024/25, with a view to ensure that reports are received in a timely matter.
- The audit work completed remotely through October 2023 – March 2024, the

Director PSA Head of Audit Quality - Regulation, Audit Grant Thornton UK LLP, Barrie Morris, advised that audit remote work is more costly than onsite audit work, the Executive Director - Resources and Corporate Services, Jason Vaughan and Barrie Morris confirmed the intention to encourage teams, where reasonably possible, to work onsite to complete audit work for 2023/24.

- The significant ramifications of not having the 2022/23 audits completed by 30 September 2024, including the formal action taken by the Government to address the national audit crisis.
- The value of using the cover report to highlight any key elements within reports and expected verbal updates.
- Pension fund values and impact of the triennial revaluation of liabilities and changes in actuarial assumptions.

Cllr Mandy Chilcott advised that there was no disagreement with what had been presented, however, without having had oversight of the previous audit reports or accounts for the predecessor council Sedgemoor District Council, she felt unable to make comment, agree or disagree or support the sign off.

Following consideration of the officer report, appendices and discussion, the Audit Committee:

- 1. Approved the Statement of Accounts as attached in Appendix 1 of the report, once any outstanding matters have been resolved.**
- 2. Approved the updated Annual Governance Statement as included within the Statement of Accounts.**
- 3. Noted the Audit Findings report from the external Auditors Grant Thornton UK LLP as per Appendix 2 of the report.**
- 4. Approved the signing of the letter of representation as per Appendix 3 of the report.**

80 External Audit Findings Report and Audit Conclusion for South Somerset District Council 2022/23 - Agenda Item 6

The Chair welcomed the Director and PSA Head of Audit Quality - Regulation, Audit Grant Thornton UK LLP, Barrie Morris and PSA Director, Grant Thornton UK LLP,

Beth Bowers.

The Audit Committee received the External Audit Findings Report and Audit Conclusion for South Somerset District Council 2022/23.

The Director and PSA Head of Audit Quality - Regulation, Audit Grant Thornton UK LLP, Barrie Morris, presented the report, highlighting: that following an exceptional workload for the Audit Committee, in receiving 10 sets of accounts to consider and sign off, the aim that all reports going forward, to be issued in line with the normal committee time scales; summarised the delays that the audit had experienced, including staff capacity, loss of knowledge and quality of documentation held; summarised the number of items without sufficient evidence to conclude the audit, and the expectation to complete in April 2024; the options to the Audit Committee to consider for sign off on the report, including delegation to the Chair, where there are no material changes and the report to be brought back to 30 May 2024 Audit Committee meeting; and that any further delays in completing the audit would have significant impact on the timely completion of the 2023/24 accounts.

The PSA Director, Grant Thornton UK LLP, Beth Bowers, further added to the above points, highlighting; the progress on the outstanding items since publication of the report and the outstanding work planned to be completed in April 2024; that the materiality set for the financial statements audit remained the same; and the detailed reporting set out against each area, both outstanding and concluded.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The financial statements key findings arising from the group audit accounts and the significant issues relating to the review of the component auditors work - Beth Bowers advised that further detail could be obtained by request of copies of the accounts through Old Mill Accountants.
- Clarification of the auditor risk identification of management overrides of journal entries and management control environment, fraud and manipulation of the financial transactions.
- The delegated authority to the Chair to sign off the accounts, including concerns of outstanding actions and the pragmatic way forward to provide a baseline for the new Council audit 2023/24 - Barrie Morris and the Executive Director - Resources and Corporate Services, Jason Vaughan, emphasised the importance of the Audit Committee to provide critical challenge.

- The complexity and length of time to progress property queries - The Service Director Finance and Procurement, Nicola Hix, paid tribute to the Finance and Property teams for the hard work and going above and beyond expectations to complete the report.
- The necessary member and public oversight and transparency, with the final report to be received by the Audit Committee on 30 May 2024.
- The national significant delays in the completion of audit work and the issuing and ongoing challenges of audit opinion completion across the Local Government sector, comparison with other Local Authorities

The Deputy Leader and Lead Member for Resource and Performance, Cllr Liz Leyshon, paid tribute to the incredibly diligent working and phenomenal effort and work of the Finance team, the Audit Committee, the predecessor Councils and Auditors on the work achieved.

The Chair summarised the position of the accounts, and paid testament to all involved in providing a solid base to start the Somerset Council 2023/24 audit.

Cllr Mandy Chilcott, proposed, Cllr Mike Hewitson seconded, and the Audit Committee agreed, an additional recommendation:

5. To receive the final External Audit Findings Report and Audit Conclusion for South Somerset District at 30 May 2024 meeting of the Audit Committee.

Following consideration of the officer report, appendices and discussion, the Audit Committee

- 1. Noted the status of the ongoing audit by reviewing the latest Audit Findings report from the external Auditors Grant Thornton UK LLP, as per Appendix 1 of the report.**
- 2. Noted the revised Statement of Accounts as attached in Appendix 2 of the report for South Somerset District Council for 2022/23.**
- 3. Delegated approval for the final accounts to the Executive Director of Resources and Corporate Services in conjunction with the Chair or Vice Chair, once any outstanding matters have been resolved provided below materiality threshold.**
- 4. Delegated approval for the signing of a letter of representation,**

alongside point 3.

5. To receive the final External Audit Findings Report and Audit Conclusion for South Somerset District Council at the 30 May 2024 meeting of the Audit Committee.

81 Somerset Pension Fund Audit Plan for year ending 31 March 2024 - Agenda Item 7

The Audit Committee received the Somerset Pension Fund Audit Plan for year Ending 31 March 2024.

The Key Audit Partner, Audit, Grant Thornton UK LLP, Julie Masci, presented the report, highlighting: that the document provided an overview of the plan, scope and timing of the statutory audit of Somerset pension fund for 2023/24; summarised the significant risks for the audit; the importance of the pension fund work in providing assurance to the external auditor and the flow through to the valuations that feed into the balance sheet for the Somerset Authority; and the valuation of pension fund gross liability option choices.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The continued use of the SAP HR / payroll system and limited implications for the pension funds processing – The Executive Director - Resources and Corporate Services, Jason Vaughan, clarified the finance use of Microsoft Dynamics.
- The efficiencies of the pension fund administration joint working, Brunel management, the check and control process of pension funds, the role of the Pensions Committee, and the Government proposals mandating Local Government pension schemes – The Chair, Pension Committee, Cllr Simon Coles noted that the pension fund is currently valued at just over £3b.

Following consideration of the officer report, appendices and discussion the Audit Committee noted the matters raised in Grant Thornton's Somerset Pension Fund Audit Plan for year ending 31 March 2024 report.

82 Internal Audit Progress Report for Somerset Council 2023/24 - Agenda Item 8

The Chair welcomed the Assistant Director SWAP Internal Audit Services, Alastair Woodland.

The Audit Committee received the Initial Audit Progress Report for Somerset Council 2023/24.

The Assistant Director SWAP Internal Audit Services, Alastair Woodland, presented the report, highlighting: that the report detailed the progress update for 2023/24 against the internal audit plan agreed by Somerset Council Audit Committee in April 2023; including the detailed progress made to date and any new work agreed; that there is one limited assurance audit and the number of outstanding priority one recommendations; the changes to the plan to reflect the changing risks and ensure audit plan remains relevant Somerset Council; including contract management work; summarised the adults direct payments limited assurance progress and the Athena contract progress; and summarised work on key financial control work and Educational Health Care Plans (ECHP).

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The overdue items position for delivery of audit actions as of early March 2024, the discussion of items at other Somerset Council Committees, including HR Committee, the competing pressures and the capacity of officers to respond and work with auditors to complete the work - the Assistant Director SWAP Internal Audit Services undertook to organise a meet with the Audit Committee Chair / Vice Chair to discuss outstanding actions and the invitation of accountable / responsible officers to brief the Audit Committee.
- The planned work of the new Budget Monitoring Risk and Performance Board (Chair - Cllr Liz Leyshon), the input from the board to the Audit Committee, Scrutiny and Executive – the Executive Director - Resources and Corporate Services noted that the new board is not part of formal governance process.
- The considerable achievements completed in the first year of Somerset Council.
- The mapping of internal work coverage, strategic risks and item report stages, as reported in the Internal Audit Plan update.
- The audit work and reviews through sample testing to cover all different control environments through a challenging year for the Council - the Assistant Director SWAP Internal Audit Services advised that the audit plan is flexible audit plan and open to change following engagement with senior management and the Audit Committee.

Following consideration of the officer report, appendices and discussion the Audit Committee noted the position of the 2023-24 Internal Audit Plan and consider any significant governance, risk and control weaknesses identified.

The Committee agreed a short adjournment.

Break 12.10 – 12.20pm

83 Internal Audit Plan and Charter 2024-25 - Agenda Item 9

The Audit Committee received the Internal Audit Plan and Charter 2024 – 25 Report.

The Assistant Director SWAP Internal Audit Services, Alastair Woodland, presented the report, highlighting: the objectives of the internal audit plan to provide an independent objective opinion on the authorities risk management governance and control environment by evaluating effectiveness; thanked Cllr Mandy Chilcott for the input and views of inclusion of items and welcomed further views on inclusion of items from the Audit Committee; the additional work in Children's and Adult Services - commissioning and contract management; the review on risk management best value framework; advised of changes to the Audit Standards and global professional standards, with the Audit Charter to be revised to ensure compliance with standards and brought to a later meeting of the Audit Committee.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The right to buy process and the risk of fraud – the Assistant Director SWAP Internal Audit Services confirmed that a review and control process is in place to prevent fraud, and that there is planned additional work to provide monitoring right to buy fraud risks advice to relevant officers.
- The cost and value for money of Special Educational Needs and Disability (SEND) provision and transport – the Assistant Director SWAP Internal Audit Services undertook to capture specific views for the review from the Audit Committee (VFM and SEND Transport).
- Global internal audit standards report presentation, challenges and increased Audit Committee responsibility – the Assistant Director SWAP Internal Audit Services undertook to provide training sessions for the Audit Committee on the new

global internal auditing standards and implications.

- Risk management and outsourcing through transformation and the potential of increased commissioning – the Assistant Director SWAP Internal Audit Services confirmed that commissioning arrangements are to be reviewed.
- Aged creditors and debtors process and trends.
- The collaborative plan and inclusion of items, particularly financial risk areas and transformation work.

Following consideration of the officer report, appendices and discussion the Audit Committee reviewed and approved the Internal Audit Plan 2024-25 and noted the subsequent planned update to the Internal Audit Charter (Mandate) later in 2024-25.

84 Strategic Risk Report for Somerset Council - Agenda Item 10

The Audit Committee received a Strategic risk report for Somerset Council from the Strategic Risk Manager, Pam Pursley.

The Strategic Risk Manager, Pam Pursley, presented the report, highlighting: the comments and actions from the Audit Committee meeting 25 January 2024; the strategic risk workshop to be held 16 April 2024 to explore challenges and identify solutions to continue to improve the quality of strategic risk identification management at Somerset Council and that a proposed risk appetite approach to be reported to Audit Committee following the CLT workshop; summarised appendix 3 outlining further questions raised by the Audit Committee independent person at a meeting held on 14 February 2024; and summarised the proposed revised risk matrix and proposed risk appetite approach process.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The welcome work to improve the risk template and possible further inclusion of the monitoring of mitigations and actions and further work on accessibility of the rag status: The Strategic Risk Manager and Equalities and Risk Manager undertook to consider reasonable adjustment of the rag status to ensure more accessible and limit use of acronyms.
- Risk matrix placement and risk reporting within Committee reports – The

Executive Director - Resources and Corporate Services, Jason Vaughan advised that previous comments from Audit Committee had been taken into consideration, and that there is work still required across the Council to improve the quality and consistency of committee reports, which is currently being reviewed by the Monitoring Officer, David Clark. The Equalities and Risk Manager undertook to review the placement of risk reporting in report templates and to monitor the committee reports received with or without the risk matrix and report back to the Audit Committee. The Deputy Leader and Lead Member for Resources and Performance undertook to circulate a 'good practice' risk committee report, to gain input on the risk reporting from Audit Committee members.

- The risk drivers in the corporate level risk and unsustainable MTFP, including Adult and Children services spending and funding.

Following consideration of the officer report, appendices and discussion the Audit Committee:

- 1. Noted that a risk deep dive report from an Executive Director each meeting, providing a narrative of their strategic risks and the steps they have taken to mitigate and manage each risk, starting at the 30 May 2024 meeting, with a report from the Executive Director of Resources and Corporate Services.**
- 2. Received information that a Workshop will be held with CLT in April/May 2024 to explore the challenges and identify solutions in continuing to improve the quality of strategic risk identification and management at Somerset, whether this is regarding governance, reporting, accountability, clarification of roles and responsibilities and any other necessary step.**
- 3. Noted that a proposed revised RAG matrix will be reported to Audit Committee following the CLT workshop and presentation to Statutory Officers Board (SOB) and/or Performance, Risk & Budget Board (PRBB).**
- 4. Noted that a proposed risk appetite approach will be reported to Audit Committee following the CLT workshop and presentation to SOB and/or PRBB.**

5. Noted the current strategic risks for Somerset Council set out in Appendix One of the report.

6. Noted the responses to the questions raised by the Committee's Independent person in a meeting on the 14 February 2024 that was held following the January committee.

85 Balance Sheet Update - Agenda Item 11

The Audit Committee received the Balance Sheet Update report from the Executive Director – Resources and Corporate Services, Jason Vaughan.

The Executive Director - Resources and Corporate Services, Jason Vaughan, introduced the report, highlighting: the action to undertake a financial sustainability and resilience review of Somerset Council in the light of 2022/23 statement of accounts for the five previous Councils, the governance and financial risks and that the review had been undertaken independently and was reported to Audit Committee at its meeting in December 2023; that the report contained twenty seven recommendations and that the suggested action plan had now been populated with the Councils response, owner, expected delivery date and which Committee it will be reported to; and advised a number of actions completed, and that some actions to be added to the Audit Committee work programme throughout the year.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The identification of heritage assets classification – The Head of Corporate Finance undertook to review heritage asset classification review and report back to the Audit Committee.
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- The level of response detail regarding the minimum level of General Reserves (R23) and expected use of earmarked reserves (R25) of the report – The Executive Director - Resources and Corporate Services undertook to provide an improved level of detail response.

Following consideration of the officer report, appendices and discussion the Audit Committee reviewed the action plan and Council's response to it.

86 CIPFA FM Code - Agenda Item 12

The Audit Committee received the CIPFA FM Code report from the Executive Director – Resources and Corporate Services, Jason Vaughan.

The Executive Director - Resources and Corporate Services, Jason Vaughan, introduced the report, highlighting: that the report set out the Council's assessment of its compliance with the code for the new Somerset Council for 2023/24; that the CIPFA code of good practice is not a requirement, but good practice and summarised the high level finance comparison with other Local Authorities; summarised the seventeen identified areas of work and developing actions; and advised of the financial strategy paper due to be considered at the Executive meeting 8 April 2024.

The Audit Committee asked a number of questions and made a number of comments which were responded to at the meeting, as follows:

- The work taking place to bring the relevant plans together, actively manage actions plans and report to the Audit Committee.
- The reported red areas within the sustainability element of the financial management code, including: the financial mapping of responsibility, the financial management style, the 5 year forecast budget, challenges of closing the budget gap, the currently unknown service provisions, delivery and resource planning and structure as the Council goes through the transformation process, the complexity and impact of the transformation to a Unitary Council.
- The evidence and issues of the Council's financial management and the opportunity of the transformation programme to prioritise and improve the financial management style across the Council.
- The Local Government funding crisis and the need for multi year settlements to aid budget forecasting.

Following consideration of the officer report, appendices and discussion the Audit Committee reviewed the assessment against the CIPFA Financial Management Code and action plan.

87 Fraud Prevention in Somerset Council - Agenda Item 13

Exclusion of the Press and Public:

Having been duly proposed and seconded the Audit Committee agreed to exclude

the press and public from the meeting under Schedule 12A of the Local Government Act 1972, on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information.

Reason: Local Government Act 1972 – Schedule 12A The item is likely to contain information relating to the financial or business affairs of any particular person (including the authority holding that information).

The Head of Procurement, Claire Griffiths, presented the report, highlighting the purpose of the report to provide an update on changes in the national fraud landscape and to set out the revised legislative framework within which the Audit Committee is required to oversee the fraud prevention, detection and investigation activities of the Council; and that the report also considers the work undertaken by SWAP internal audit partnership in identifying the main fraud risks for the Council and a debate was had.

Following consideration of the officer report, appendices and discussion the Audit Committee:

- **Approved the revised Anti-Fraud and Corruption Policy attached in Appendix One of the report;**
- **Agreed the case for exempt information for the Appendices 2, 3 and 4, to be treated in confidence, as the case for the public interest in maintaining the exemption outweighs the public interest in disclosing that information;**
- **Noted the following fraud prevention policies in place for Somerset Council and that these are due for review by April 2025:**
 - **Anti-Bribery Policy**
 - **Anti-Tax Evasion Policy**
 - **Anti Money Laundering Policy;**
- **Acknowledged the new provision in the Economic Crime and Corporate Transparency Act of “Failure to Prevent Fraud” that will make companies and partnerships liable for failing to stop employees, agents, or others acting on their behalf, for committing fraud for the benefit of the organisation or its customer, including Somerset Council;**

- **Approved the fraud action plan for 2024/25 and notes that an update will be presented to Audit Committee in 2024 following SWAP Internal Audit's revised fraud baseline assessment and fraud risk register update, to be completed by September 2024;**
- **Approved the publication of information regarding the Council's counter-fraud activities covering the period 1 April 2023 to 31 March 2024, in adherence to the requirements of the Local Government Transparency Code 2015;**
- **Noted a Fraud Officer is to be appointed on an initial 6 to 12-month fixed term contract; and**
- **Noted that data on staff completing fraud training will be provided to Audit Committee by April 2025.**

88 Audit Committee Workplan - Agenda Item 14

The Audit Committee discussed the workplan and recognised the ongoing management of the workplan and meeting agendas for 2024/25 to allow for detailed discussion of items.

The Audit Committee reviewed and noted the Audit Committee workplan, and agreed the below items be added:

To the Audit Committee Agenda 30 May 2024:

- Aged Debt and creditor report
- External Audit Findings Report and Audit Conclusion for South Somerset District
- Executive Director Resources and Corporate Services - Strategic risks and the steps taken to mitigate and manage risks report

To the 2024/25 Workplan:

Fraud Prevention in Somerset Council update
 Audit Plan Charter
 CIFPA FM Code - Action Plan progress

(The meeting ended at 1.30 pm)

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CHAIR