

Minutes of a Meeting of the Audit Committee held in the Luttrell Room - County Hall, Taunton TA1 4DY, on Thursday, 27 April 2023 at 10.00 am

Present:

Cllr Dean Ruddle (Chair)
Cllr Andy Sully (Vice-Chair)

Cllr Steve Ashton	Cllr Lee Baker
Cllr Simon Carswell	Cllr Norman Cavill
Cllr Mandy Chilcott	Cllr Simon Coles
Cllr Habib Farbahi	Cllr Tim Kerley
Cllr Mike Lewis	Cllr Liz Leyshon

1 Apologies for Absence - Agenda Item 1

Apologies were received from Councillors Shane Collins, Mike Caswell.

2 Declarations of Interest - Agenda Item 2

There were no declarations of interest made by Members.

3 Minutes from the previous meetings held on 19th January 2023 and 2nd February 2023 - Agenda Item 3

The minutes of the Audit Committee meeting held on 19 January 2023 and 2 February 2023 were considered and approved.

4 Public Question Time - Agenda Item 4

There were none.

5 Report of Internal Audit Activity 2022/23 Progress Report - April 2023 - Agenda Item 5

SWAP presented the Report of internal audit activity 2022/23 which set out the Internal Audit Plan agreed by the Somerset County Council (SCC) Audit Committee in March 2022. The schedule provided at detailed progress made to date and any new work agreed.

In response to concerns about contract management the Section 151 Officer explained that Managers of the new Council had been trained in procurement, and procurement processes had been assessed independently as good. However, there was a plan to raise that standard even higher.

Principal Auditor SWAP went through the summary of work for the 2022-23 year and noted that the Portfolio Holder for resource would encompass fraud.

The quality assurance framework would be discussed in the next plan and SWAP will monitor those actions.

The quality assurance framework for adult services would also be reported at the next meeting.

In response to questions the Section 151 Officer said the Council recognised that staff turnover had been a risk to service delivery during the transition of the new Council into a Unitary Council.

RESOLVED:

That the Internal Audit Activity Report 2022/23 be noted.

6 Proposed 2023-24 Internal Audit Plan and Internal Audit Charter - Agenda Item 6

SWAP presented the Internal Audit Update Charter which provided an independent and objective opinion on the authority's risk management, governance, and control environment by evaluating its effectiveness.

It was confirmed that the outcomes of each of the audits in SWAP's planned programme of work would have provided senior management and members with assurance that the current risks faced by the Authority in these areas were adequately controlled and managed.

It was noted that internal audit was only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines' assurance model. Key findings from SWAPs internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement.

During the discussion that followed Members were concerned that with regard to contract management the report was so high levelled that some of the detail were difficult to follow.

The Section 151 Officer agreed where the Audit Plan gave headline titles only, more detail should be added to give some clarity to members and the public so they would know what each audit would include.

Members hoped that the new Council would take advantage of having new Officers which could look afresh at issues. Therefore, it would be helpful if the plan could be flexible.

In response to queries, the Portfolio Holder for Resource explained that Octagon and Brewhouse Theatre had both received support. However, because of their ownership the funding had come from different budgets. Going forward work needed to be done to ensure both theatres continued to be supported. Any review of the funding would need to be made clear.

Members requested a regular report on the Audit Plan so they could keep control on risks. However, it was noted that the Scrutiny Committee would receive reports about how the Council might control its risks.

Members said they would support the plan. However, it needed to be flexible and include more detail in future.

RESOLVED:

That the Proposed 2023/24 Internal Audit Plan and Internal Audit Charter be approved.

7 Audit Progress Report and Sector Update - Agenda Item 7

The Senior Manager of Grant Thornton presented her report which provided the Audit Committee with an account of the progress they had delivered over the past

year.

The report included a summary of emerging national issues and developments which were relevant to the Local Authority.

In response to queries about giving value for money the External Auditor explained that each year the auditors look at areas such as financial sustainability, governance and improving efficiencies.

It was noted that not all Councils were all run in the same way. Therefore, it was important for the auditors to make sure the taxpayers money was giving good value.

The external auditor confirmed that because of the district council audits which still needed signing off and the transition of the Council to a Unitary Council they expected there to be some slippage of reporting the Council's accounts from September 2023 to possibly January 2024.

Members noted the delays. However, they wished to know what was outstanding in order for the audit work to be completed.

The Section 151 Officer explained that on occasions delays were caused by national issues.

The Service Director for Finance confirmed there were current issues with capacity because of new finance systems. In response to this an external team had been brought in to help the Council close the outstanding accounts.

The Section 151 Officer explained how the Council valued its assets. A new asset database had been created for the new Council. Officers now worked consistently across the county.

Members requested a report on the valuation of the Council assets.

With regard to the risk from lack of finances and the communication which Councils received from Government about reserves, the Section 151 Officer said discussions were being held nationally to understand the Government's position.

RESOLVED:

That the Audit Progress Report and Sector update be noted.

8 Informing the audit risk assessment - Agenda Item 8

The Senior Manager of Grant Thornton presented her report which set out the effective two-way communication between Somerset County Council's external auditors and Somerset County Council's Audit Committee, as 'those charged with governance'. The report covered some important areas of the auditor risk assessment where Grant Thornton were required to make inquiries of the Audit Committee under auditing standards.

She further went on to say that under International Standards on Auditing (UK), (ISA(UK)) auditors had specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasised the importance of two-way communication between the auditor and the Audit Committee and she also mentioned that specified matters should be communicated.

This two-way communication assisted both the auditor and the Audit Committee in understanding matters relating to the audit and developed a constructive working relationship. It also enabled the auditor to obtain information relevant to the audit from the Audit Committee and supported the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

The Senior Manager further pointed out that as part of their risk assessment procedure, they were required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, *and*
- Accounting Estimates.

During the discussion that followed, some Members felt the response to Question 1 could be more detailed. Also, Questions 2 and 6 had not been fully answered. Members questioned the value of the report.

It was noted that the report solely considered the Somerset County Council in 2022/23.

Members noted that improvements had been made to ensure that double payments

were no longer made.

The External Auditor explained that they would look at fraud when there was cause for concern.

RESOLVED:

That the Informing the Audit Risk Assessment for Somerset County Council 2022/23 report be noted

9 Independent Member appointment - Agenda Item 9

The Section 151 Officer explained that Members had been asked to respond to a questionnaire which went into detail about their knowledge of managing a Council. Over half of the Members had completed the questionnaire and their knowledge was good.

Based on this, he said that future training for Members would be delivered in due course.

Also an advert had been prepared for the Council to co-opt up to two Independent Members of the Audit Committee. This would bring professional and specialist knowledge of audit at meetings.

RESOLVED:

That an advert be made in order to co-opt up to two Independent Members of the Audit Committee.

10 Fraud Policies - Agenda Item 10

The Service Director had prepared the following Policies for the new Council:

- a. Anti-Fraud and Corruption Policy and Strategy 2023
- b. Anti-Bribery Policy 2023
- c. Anti-Tax Evasion Policy 2023
- d. Anti Money Laundering Policy 2023

Members noted that the Policies had been pulled together from the best practice of the former Somerset County Council and the four district councils.

In response to queries it was confirmed that it was the responsibility of every member of staff to spot and report suspected fraud.

Members asked that the policies be made known to all members of staff and that training be carried out.

RESOLVED:

To delegate authority to the Officer to update the following Policies:

- Anti-Fraud and Corruption Policy and Strategy 2023
- Anti-Bribery Policy 2023
- Anti-Tax Evasion Policy 2023
- Anti Money Laundering Policy 2023

11 Annual Report to Council - Agenda Item 11

This item had been withdrawn from the agenda.

12 Treasury Management Practices - Agenda Item 12

The Funds & Investment Manager presented the Treasury Management Practices (TMPs) Report. He explained that the TMPs were a detailed document setting out how day to day treasury activity was undertaken by the Council and was part of a suite of governance documents controlling the Council's Treasury Management activity. It was a requirement of the CIPFA code on Treasury Management for the Council to prepare and maintain TMPs. It was a 'living document' that should be updated as necessary and had been formally adopted by the Section 151 Officer and deputy Section 151 Officer.

During the discussion that followed the Officer explained the purpose of bringing the document to the Audit Committee. He said it may highlight issues for the Audit Committee which they would like to explore more fully.

Members noted they had received the full Treasury Management Report in January 2023 for consideration.

RESOLVED:

That the Treasury Management Practices be noted.

(The meeting ended at 11.45 am)

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CHAIR