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## **Annual Report of the former Somerset County Council's Audit Committee 2022-2023**

Lead Member: Cllr Mike Hewitson - Chair of the Audit Committee

Lead Officer: Jason Vaughan - Executive Director Resources and Corporate Services and Section 151 Officer

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### **1. Summary**

- 1.1.** The former Somerset County Council's Audit Committee, like other committees, was required through the Constitution to make an annual report to Full Council. Unfortunately it was not possible for that Committee to report ahead of vesting day for the new Somerset Council. This report therefore seeks to outline the activities of the former Somerset County Council's Audit Committee since it last reported to the County Council meeting in July 2022. For clarity, it does not cover the activities of the audit committees of the former district councils or the new Somerset Council's Audit Committee.
- 1.2.** The former County Council's Audit Committee formed a part of its corporate governance arrangements. Its purpose was to "provide independent assurance of risk management and the control environment", "independent scrutiny of the authority's financial and non-financial performance" and "oversee the financial reporting process" (CIPFA).
- 1.3.** This report is to inform members of the work of the former County Council's Audit Committee in the previous financial year and to note the Committee's opinion on the standard of governance, risk management and internal audit in place within the former Somerset County Council.

### **2. Background**

- 2.1.** The County Council's Audit Committee met a total of 5 times between July 2022 and the end of March 2023.
- 2.2.** Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource

and assurance role to support good governance and strong public financial management.

The purpose of an audit committee is to provide to those charged with governance the independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

In accordance with best practice, the Audit Committee's role is not to consider policy decisions.

### **3. Work Programme**

**3.1.** The County Council's Audit Committee work programme was built around its responsibilities for corporate governance, internal audit, external audit, risk management, fraud & corruption, Treasury Management and the consideration and approval of the annual Statement of Accounts for the former Somerset County Council and the Pension Fund.

**3.2.** The work of the former Somerset County Council had been impacted by the Covid-19 pandemic and this particularly impacted upon production and auditing of the Statement of Accounts. Other councils experienced similar issues and the national timetable was adjusted to take account of these challenges.

#### **3.3. Statement of Accounts**

The Statement of Accounts for 2021/22 received an unqualified audit opinion from Grant Thornton, the independent external auditors, for both the former Somerset County Council and the Pensions Fund and this was reported to the County Council's Audit Committee meeting on 24<sup>th</sup> November 2022.

The approval to the Statement of Accounts could not be concluded until a statutory override in relation to Infrastructure asset reporting was issued by Government. The statutory instrument did not come into legislation until 25 December 2022, so approval of the audited accounts by 30 November 2022 was not possible. This was a national issue, impacting all local authorities with material Infrastructure assets. The updated 2021/22 Statement of Accounts was approved by the Committee at its meeting on 19<sup>th</sup> January 2023.

#### **3.4. Value for Money (VFM)**

The Audit Committee received regular reports and updates on the work on Value for Money. As part of their work on the Statement of Accounts, Grant

Thornton were satisfied that the former Somerset County Council had made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. The review found no significant weaknesses but did make several improvements recommendations.

### **3.5. Annual Governance Statement**

The main purpose of the Annual Governance Statement is to provide the necessary assurance that a reliable framework was in place for the financial year that aligns to the Statement of Accounts. The former Somerset County Council's statutory Annual Governance Statement, which accompanied the Statement of Accounts, demonstrated compliance with a nationally set list of documentary requirements. The conclusion was that these were "consistent with the audited financial statements" and "meets the requirements set out in the CIPFA/SOLACE guidance".

### **3.6. Internal Audit**

The internal audit service was provided by South West Audit Partnership (SWAP) Internal Audit Services. The Committee received the Internal Audit Plan and Charter for 2022/23 at its March 2022 meeting. SWAP provided an update on internal audit activity at each committee including highlighting any "Limited" assurance audits, follow up audits and progress against the audit plan. It was important that the internal audit plan was dynamic and reflective of emerging issues and risks. The regular updates from SWAP therefore also highlighted any changes to the Internal Audit Plan throughout the year. SWAP provided a reasonable assurance opinion for the 2021/22 financial year to the Committee's meeting in July 2022.

### **3.7. Risk Management**

The Audit Committee had reviewed the former County Council's risk management arrangements during the year. Effective risk management can have a major impact on the successful achievement of the objectives, policies, and strategies of the authority. In particular, the Audit Committee concentrated on the Strategic Risk Register and those key risks (such as sustainable budgets, safeguarding of children, business continuity, Health and Safety, and IT) that needed to be mitigated to lessen the likelihood or impact of the risk occurring. Whilst most of these risks were regularly reviewed and appropriate measures put in place, the Audit Committee could call in officers if they considered that insufficient mitigations or actions were being taken.

### **3.8. Treasury Management**

As part of the Medium Term Financial Plan 2023/24 – 2027/28 process the Audit Committee reviewed the Treasury Management Strategy 2023/24; Capital Strategy 2023/24 – 2025/26; Minimum Revenue Position Statement 2023/24 and Flexible Capital Receipts Strategy 2022/23 and 2023/24 at its

meeting on 19 January 2023 prior to these papers going to the Executive and Council in February 2023 for approval.

#### **4. Training**

- 4.1.** The Committee received training in November 2022 on the Statement of Accounts from senior finance managers to help provide some insight and understanding before they were asked to approve this suite of documents.

There was also training from the County Council's Section 151 Officer and SWAP Ltd on 10 June 2022 on the following:

- Role of S151 Officer
- The Audit Committee
- Role of External Audit
- Role of Internal Audit
- Redmond Review
- Characteristics of A Good Audit Committee
- Barriers to Audit Committee Effectiveness
- Developing Audit Committee Effectiveness
- Audit Committee and Internal Audit
- Internal Audit in the Public Sector

Ahead of vesting day for the new Somerset Council, there was a training session for the Audit Committee in February 2023 from the Service Manager - Chief Accountant and SWAP Ltd. Further training sessions will be arranged for Somerset Council's Audit Committee as members request or assurance topics emerge.

#### **5. Conclusions**

- 5.1.** The Audit Committee can report that the majority of governance functions and processes remained well-controlled and delivered. This was based upon the improvement in the value for money rating from the external auditors, the unqualified opinion on the Statement of Accounts, the internal audit opinion and the Annual Governance Statement.
- 5.2.** However, there have been some individual audit findings reported during the previous year that have revealed local weaknesses that will need to be addressed by the new Somerset Council.
- 5.3.** The Audit Committee remains committed to ensuring that high governance standards are maintained.

## **6. Background papers**

**6.1.** Audit Committee papers can be found at:

[Committee details - Audit Committee - Modern Council \(somerset.gov.uk\)](https://www.somerset.gov.uk/committees/audit-committee)