



Somerset
Council

**Somerset Council Audit Committee
Annual Report 2023-24**

Introduction

Chair – Audit Committee, Cllr Mike Hewitson

In any normal year Audit Committee would expect to receive a couple of audits and a couple of sets of accounts. 2023/24 has not been an ordinary year by any stretch of the imagination. Since assuming the Chair in June 2024 from our dear departed colleague Cllr Dean Ruddle the Committee has maintained a tough work rate, reviewing no less than 10 sets of accounts and 10 audits as we began to clear the backlog from predecessor bodies. Somerset Council was by no means unusual as only 5 out of 467 local government bodies had published their Audit opinion reports by the deadline of 30th September 2023. While Government has now decided to 'reset' the system by applying a backstop date of 30 September 2024 to publish any outstanding sets of accounts from prior years, the situation for Somerset Council is more critical.

In order for the new Authority to have any clarity over its opening balances we needed to close down the outstanding accounts for the predecessor bodies. This has two effects, firstly it provides clarity and secondly it reduces the risk of Auditors making retrospective adjustments for new issues such as RAAC which emerged as an issue this year. To achieve this has taken a herculean effort from all partners: the finance team (with special thanks to Jason Vaughan and Nicola Hix); our Auditors, Barrie Morris from Grant Thornton and our internal auditors SWAP and Alistair Woodland; and to the Committee itself. At times the papers for Audit have been more than 1000 pages long, but members have stuck to the task, and we are now in a position where all of our outstanding accounts have been signed off, with the very final set coming to Audit this month.

In many respects this marks the end of the beginning for Somerset Council's Audit Committee, as we will now move to a different mode of operation. Our focus will largely be on management of risk. We were pleased to welcome Lindy Jansen van Vuuren as one of our Co-opted independent members, Lindy joins us with a wealth of experience in public sector finance and has a keen eye for risk and has already helped to improve our approach to risk.

In October 2023 the Council formally received a letter from our External Auditors highlighting concerns over the financial sustainability of the organisation. Grant Thornton highlighted the rising cost of Adult Social Care and Children's Services as the primary areas for concern. While management formally replied to the External Auditors concerns less than 10 days later Audit Committee convened an Extra-Ordinary meeting on 14th December 2023 to discuss those concerns. We were able to speak to the Directors of Adults and Children's Services to understand more about the control environment in their directorates, as well as an understanding of the new controls which had been introduced by the Council in response to the Financial Emergency. The Auditors stated "Whilst there is a risk of significant weakness in arrangements to secure financial sustainability, we recognise that the Council is fully aware of this situation and is in the early stages of implementing solutions to address the financial risks that it faces. We are also mindful that Somerset Council was formed on 1 April 2023 through local government reorganisation, and as a relatively

new Council should be allowed sufficient time to develop financial plans and strategies”.

Audit Committee exists to provide an independent high-level focus on the adequacy of governance, risk and control arrangements within the Council. My role as Audit Committee Chair is independent of the administration and in the Budget meeting in February 2024 I was compelled to rise to raise concerns over the sustainability of Somerset Council. The budget pressures for 2024/25 have been immense - more than £104m or 20% of the Council's revenue budget. It is now imperative that the Council fully implements the measures outlined in the budget, or there is a high likelihood that the Council will need to issue a S114 notice before the end of the 2024/25 financial year.

Many of the costs that the Authority faces are statutory, for example the shortfall in the High Needs Block of the Dedicated Schools Grant is projected to reach £96.2m by 2025/26. The Authority has no choice but to provide this level of care, however Audit Committee will push to ensure that risk and control arrangements are robust. No matter how good the control arrangements are, Local Authorities in England face a £4bn shortfall in funding over the next 2 years which is unsustainable. The model of local government finance and/or our mandate from Government will need to change or statutory services will soon consume more than 100% of our revenue budget. The use of Capitalisation and/or Capital Receipts Flexibility should help the Council to recapitalise, but we can only sell each asset or spend each pound of reserves once. These are not long-term solutions. The Council needs to look at how it can bring in much needed extra revenue.

I would like to offer my sincere thanks to Debbie Widdows and Michelle Brooks who have offered great support to the Committee during the last 12 months as our Lead Officers. To all members of the Committee, I continue to offer my sincere thanks for your important contributions and diligence. All members of Council are very welcome to attend our meetings, the Chair has been known to provide cake!

1. Purpose of the Audit Committee Annual Report

1.1 Under CIPFA best practice the Audit Committee should produce an annual report on its performance to Full Council. This report summarises the work of the Audit Committee during 2023-24 and how it has fulfilled its duty. To assess its performance the following key areas have been considered, as aligned to CIPFA best practice:

- Membership and Attendance
- Performance in delivery of its Terms of Reference
- Compliance to the CIPFA Audit Committee Position Statement
- Compliance to CIPFA Audit Committee Best Practice Self-Assessment
- Assessment of Skills and Knowledge
- Training and Development

2. Governance

2.1 The Chartered Institute for Public Finance and Accountancy (CIPFA) describes the overall aim of good governance as:

‘To ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities’

CIPFA Delivering Good Governance in Local Government Framework 2016 Edition
(the Good Governance Framework)

2.2 Good governance is ultimately the responsibility of Full Council as the governing body of Somerset Council. This report provides assurance to the way in which the Audit Committee has discharged its role to support the Full Council in this responsibility.

3. Role of the Audit Committee

3.1 The Audit Committee is a key component of Somerset Council's governance framework. Its purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The Audit Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

3.2 The Audit Committee is directly accountable to Full Council. It is independent of both the executive and the scrutiny functions and is a key advisory committee providing independent oversight, recommendations, opinions and influence on the matters for which it is responsible. To assist the Audit Committee in fulfilling its role, it has a right of access to and is expected to engage constructively with other committees and functions, for example scrutiny committees, corporate risk management groups/boards where they exist and other strategic groups. The Audit Committee also has the right to request reports and seek assurances from relevant officers.

3.3 The Audit Committee is governed by its terms of reference that shall be reviewed by Full Council on the advice of the committee to ensure that they remain fit for purpose and in accordance with any relevant regulations and guidance. Any revisions will be agreed by the Full Council and by the Audit Committee. The current Audit Committee Terms of Reference were approved by Full Council in February 2023 and are based on CIPFA's recommended Audit Committee Terms of Reference.

4. Audit Committee Membership and Attendance

4.1 Membership

Number of Members	15 (includes up to 2 Independent members)
Substitute Members Permitted	Yes, provided they have met the training requirement
Political Balance Rules apply	Yes

Appointments/Removals from Office	By resolution of Full Council
Restrictions on Membership	Executive members and their deputies may not be a member of this Committee
Restrictions on Chair/Vice- Chair	None
Quorum	Five voting members
Number of ordinary meetings per Council Year	At least 4 per year

4.2 Attendance

Committee member	27 April 2024	29 June 2023	28 September 2023	26 October 2023	14 December 2023	25 January 2024	28 March 2024
Cllr Hewitson (Chair)		✓	✓	✓	✓	✓	✓
Cllr Sully (V Chair)	✓	✓	✓	✓	✓	Sub	✓
Cllr Baker	✓	✓	X	✓	✓	Sub	X
Cllr S Carswell	✓	✓	✓	On-Line	Sub	✓	✓
Cllr M Caswell	X	On-Line	✓	✓	X	✓	On-Line
Cllr Cavill	✓	✓	✓	✓	✓	✓	✓
Cllr Chilcott	✓	✓	✓	✓	✓	✓	✓
Cllr Coles	✓	✓	✓	✓	✓	✓	✓
Cllr Farbahi	✓	On Line	✓	✓	✓	✓	✓
Cllr Kerley	✓	✓	✓	✓	✓	✓	On-Line
Cllr Wren							✓
Cllr Ashton	✓	✓	✓	✓	✓	✓	
Cllr Collins	X	On line	X	X	X		
Cllr Ruddle	✓						
Cllr Lewis	✓						
Co-op Ms Jansen Van Vuuren			✓	✓	✓	✓	X
Co-Op Ms Whitten	✓	On line					

How the Audit Committee has discharged responsibilities against its Terms of reference.

5.1 Governance, risk and control

Governance, risk and control	Frequency
To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance	P
To monitor the effective development and operation of risk management in the council.	Q
To monitor progress in addressing risk-related issues reported to the committee.	P
To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.	Q
To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code	P
To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.	A
To review the assessment of fraud risks and potential harm to the council from fraud and corruption.	A
To monitor the counter fraud strategy, actions and resources	P
To review the governance and assurance arrangements for significant partnerships or collaborations	P

P=Periodically, Q=Quarterly, A=Annually

The Audit Committee received a number of reports throughout 2023-24 to help inform how governance is operating within Somerset Council and to provide an insight to how well risk management and internal control is operating. Key information presented to the committee included:

5.2 Corporate Governance Arrangements

As part of the Extra Ordinary Audit Committee meeting in December, members received a presentation from officers providing an overview of the governance and assurance arrangements that are in place within the Somerset Council, as lined to the LGA framework. The report explained the reasons that can lead to weak governance, such as cultural failings, poor leadership and ineffective policies and procedures. The report highlighted the need for good governance to function well an organisation must encourage and facilitate high-level robust internal challenge.

5.3 Regular Risk Management Reports/Updates

The Audit Committee has received regular reports on risk management. Effective risk management can have a major impact on the successful achievement of the objectives, policies, and strategies of the authority. The Account and Audit Regulations 2015 require the Council to have in place effective arrangements for the management of risk. The Audit Committee has challenged officers around the level of engagement on risk management and requested that reports that the Audit Committee receive were amended to include additional information to assist in their oversight with how effectiveness the management of risks is within Somerset Council. The main focus on

risk management has been around the financial stability of the new council and organisation resilience.

5.4 Internal Control Recommendations & Agreed Actions

Through the individual audit assignments completed by internal audit various recommendations will be made to improve governance, risk management and internal control. Included within the update from internal audit is a summary of recommendation implementation progress. To support this summary members also received a download of all recommendations, together with progress being made. During 2023-24 Internal Audit rolled out a live interactive dashboard that members of the Audit Committee have access to giving them the ability to view progress and updates in real time. In addition to the internal audit recommendations being tracked, recommendations have also been made in numerous other reports that will be reported back to the Audit Committee. These include:

- External audit recommendations (particularly the seven key recommendations in the Joint Auditors Annual Report).
- Balance Sheet Review.
- Financial Management Code Compliance.
- Fraud Action Plan 2024-25

5.5 Financial Management Code Compliance

A report was presented to the Audit Committee highlighting compliance to the standards in the Financial Management Code. The report highlighted 17 key Financial Management Code compliance areas of which 6 were assessed as amber and 2 as red. The report included an action plan, responsible officer and target date for areas for improvement. The areas assessed as red included '*the management style of the authority supports financial sustainability*' and '*The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans*'.

5.6 Reports from Grant Thornton on Value for Money conclusion relating to legacy 2021-22, & 2022-23 accounts and their Joint Auditors' Annual Report to Somerset Council.

A large amount of the Audit Committee's time has been consumed from reviewing and approving legacy financial accounts relating to the Somerset legacy authorities. Review these financial statements also included examining the External Auditors value for money judgement. The Audit Committee also received a letter from the external auditor on value for money around the financial stability of the authority highlighting its initial findings and concerns in October 2023. In January the Audit Committee received a further report (*Joint Auditors' Annual Report to Somerset Council*) from the external auditors giving their view on arrangements in place at the council to secure value for money. The report considers all aspects of the council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The report highlighted significant weaknesses in arrangements and made seven key recommendations. Key areas to improve included: develop and deliver action to manage demand and costs in relation to adults and children's services; implement transformation programme at

scale and pace; ensure their are proper governance arrangements to oversee disposal of commercial investments; maintain general and earmarked funds at prudent levels; develop a robust dedicated school grant deficit management plan; develop functionality of Microsoft Dynamics finance system and resolve outstanding issues and processes at pace; strengthen procurement and contract management arrangements. When noting the report members of the Audit Committee requesting management responses to be improved and strengthened with regard to the recommendations made.

5.7 Review of Councils counter fraud and corruption arrangements

Anti-fraud and corruption work forms an important part of our corporate governance and internal control framework. As part of LGR, the Audit Committee received proposed updates to 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

A further update was provided to the Audit Committee towards the end of the financial year that included the fraud risk register for Somerset Council, overview of counter fraud activities as per the Local Government Transparency Code 2015, resources and delivery of counter fraud arrangements and areas for further development (Fraud Action Plan 2024-25) to strengthen counter fraud in Somerset Council.

Other assurance reports received during 2023-24 that support governance, risk and internal control oversight:

5.8 Balance Sheet Review

As part of the Financial Strategy approved by the executive was an action to complete a financial sustainability and resilience review for Somerset Council in light of the 2022-23 statement accounts from the five-predecessor councils. The purpose of this review was to provide some assurance by comparing Somerset's opening balance sheet position against nine neighbouring unitary authorities similar to Somerset in term of size. Overall the review found that the new council was relatively well placed at the 1 April 2023 with net assets of £2500 per head of population and useable reserves of £750 per head of population. The report made a number of recommendations for the Audit Committee to review and respond to including that General fund working balances are kept at a minimum of 5% of net revenue expenditure. .

5.9 Preventing Failure in Local Government – lessons from Grant Thorntons recent national report

Grant Thornton presented their national report that draw on research on government, external audit, and other interventions where there has been a finance and or governance failure in a local authority. The report examined the causes of failure and

sets out good practice and opportunities for the prevention of failure. Audit Committee members asked a number of questions around this paper including around how Somerset Council is operating. Although this paper is looking back from this point in time, it highlighted that authorities previously issuing a 114 notice had done so due to some extreme nature of failure, it was noted that failures had developed incrementally over several years.

5.10 Financial Emergency Governance Assurance Update

During 2023-24 the Audit Committee received a presentation highlighting the governance framework in place within Somerset Council and an overview of the additional governance arrangements being put in place to control and monitor spend. This included an overview of the workstreams, SROs and control boards and panels. The Audit Committee was given the opportunity to consider any other additional assurance that was required.

5.11 General Fund Budget monitoring and capital programme

The general fund revenue budget and the capital programme update reports were taken to the extra ordinary meeting of the Audit Committee in December 2023. The Audit Committee requested the attendance of the director of adult services and children’s service to ask and challenge them around issues of governance, risk and control given the financial emergency declared by the authority.

5.12 Area not covered:

Review governance and assurance arrangements over significant partnerships and collaborations. This will be picked up during 2024-25 as part of the Audit Committee forward plan.

6. Financial and governance reporting

Financial and governance reporting	Frequency
Governance reporting	
To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit’s annual opinion.	A
To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority’s objectives.	A
Financial reporting	Frequency
To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.	A
To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.	A

Financial and governance reporting	Frequency
To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	A

On the 1st April 2023 Somerset Council replaced the five legacy council. At that date the following Councils had yet to receive external audit opinions relating to:

- MDC 2021-22
- SDC 2020-21 & 2021-22
- SSDC 2021-22

In addition to this, Somerset Council had to produce and the Audit Committee sign off the 2022-23 statement of accounts and AGS for each of the legacy Councils and the Pension fund.

6.1 Review of AGS Prior to approval

Each of the district authorities signed off a draft AGS for the financial year 2022-23 in March 2023 to assist with the AGS process for LGR. These legacy AGS documents were brought before the Somerset Council Audit Committee to be reviewed before formal sign off. It was acknowledge that there were challenges signing off the AGS from legacy authorities as current Audit Committee members may not have been part of those authorities and Audit Committees.

6.2 Presentation of financial accounts & External Auditors Reports

The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (amendment Regulations 2022 states that, as part of the formal process of closing the accounts, the Chief Financial Officer is required to approve the draft statement of accounts by the 31 of May. The Audit Committee has had to oversee nine annual accounts relating to the legacy authorities. As part of the Audit Committees role in signing off the annual accounts is to examine the report from External audit on any matters arising through their work on the accounts. The Audit Committee has reviewed and commented on all external audit finding reports relating to the legacy accounts as well as commenting on the financial accounts themselves.

7. Arrangements for audit & assurance – External Audit

Arrangements for audit and assurance	Frequency
External audit	
To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.	P
To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.	A
To consider specific reports as agreed with the external auditor.	P
To comment on the scope and depth of external audit work and to ensure it gives value for money.	A

Arrangements for audit and assurance	Frequency
External audit	
To consider additional commissions of work from external audit.	P
To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	P
To provide free and unfettered access to the Audit Committee chair for the auditors, including the opportunity for a private meeting with the committee.	A

P=Periodically, Q=Quarterly, A=Annually

- 7.1 The committee plays a significant role in overseeing the Council's relationship with its external auditors and takes an active role in reviewing the external audit plan, progress reports and annual report setting out external audit findings and the value for money review/conclusion. Grant Thornton UK LLP is the Council's current appointed auditor, appointed through the public sector audit appointment (PSAA) process.
- 7.2 As has been summarised earlier in this report, the Audit Committee have received various reports from the external auditor around their key conclusions and judgements relating to auditing legacy somerset authority financial statements as a true and fair reflection of the organisations activity.
- 7.3 In addition to the regular reports that are presented by external audit, the Audit Committee received an open letter addressed to Somerset Council from the external auditors expressing concern over the financial sustainability of the authority highlighting their initial findings and concerns. In January 2024 the Audit Committee also received from the external auditor the Somerset Joint Audit's Annual Report that contained seven key recommendations (refer to para 5.6).
- 7.4 In support of the delivery of External Audit work there are regular meeting between the External Auditors and the Chair of the Audit Committee.

8. Arrangements for audit & assurance – Internal Audit

Internal audit	Frequency
To approve the internal audit charter	A
To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.	P
To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	A
To approve significant interim changes to the risk-based internal audit plan and resource requirements.	Q
To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations	Q

Internal audit	Frequency
To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments	P
To consider reports from the head of internal audit on internal audit's performance during the year	Q
To consider the head of internal audit's annual report	A
To consider summaries of specific internal audit reports as requested	Q
To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.	Q
To contribute to the Quality Assurance and Improvement Plan (QAIP) and in particular to the external quality assessment of internal audit that takes place at least once every five years	P
To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations	A
To provide free and unfettered access to the Audit Committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.	P

P=Periodically, Q=Quarterly, A=Annually

Internal audit services is provided by SWAP Audit Services, a public company limited by guarantee, for which Somerset Council is a partner/owner.

8.1 Internal Audit Charter & Approval of the Risk Based Audit plan

The Audit Committee received the internal audit plan and charter and was provided the opportunity to feed in their views on areas of potential risk and assurance that should be considered. The audit plan was pulled together through collaboration with key stakeholders to ensure that the widest view on risk and assurance requirements was taken into account.

8.2 Annual Internal Audit Opinion Report

The Audit Committee considered the Annual Internal Audit Opinion Report relating to the legacy authority Somerset County Council. The Annual Internal Audit Opinion Report summarises the work of internal audit to provide an 'independent' view from the Head of Internal Audit on how well governance, risk management and internal control is operating within the authority. The report is based on the work undertaken by Internal Audit, but can draw on other sources of assurance where appropriate. The report received in June 2023 related to Somerset County Council for 2022-23.

8.3 Progress Update Reports & Significant Internal Audit Findings

Internal audit provided regular update reports to the Audit Committee on performance against the internal audit plan, highlighting areas of significant governance, risk or control weaknesses identified through their work. These update reports included the summary of key findings where weaknesses were identified. As part of the internal audit process, agreed management actions are captured for addressing weaknesses and these are monitored through a separate dashboard that Audit Committee members have access to. Further, access to the full internal audit reports is available to members of the Audit Committee through the internal audit software portal. There were no issues raised around scope limitations through the work of internal audit during 2023-24 nor were there any areas where management chose to 'accept' the level of risk being highlighted by internal audit through their work. Also, to maintain independence and objectivity the Head of Audit does not undertake additional roles or responsibilities. The work of internal audit has highlighted a significant number of audits returning 'limited' assurance assessments during 2023-24 with a need to improve governance, risk and internal control and financial management.

8.4 Quality Assurance and Improvement Plan (QAIP) and the External Quality Assessment (EQA)

SWAP's EQA was last performed in February 2020 and is required to be undertaken every 5 years by the Public Sector Internal Auditing Standards. An EQA of SWAP is scheduled during 2024-25 whereby key stakeholders will be independently invited to provide feedback from across the SWAP partnership. The EQA will drive the QAIP that will be shared with Audit Committee members post assessment during 2024-25.

8.5 Liaison with Chair and Vice Chair of the Audit Committee

In between formal meetings the Head of Internal Audit has periodic informal meetings where appropriate with both the Chair and Deputy Chair of the Committee.

8.6 Areas outstanding:

Review of effectiveness of Internal audit. SWAP are undergoing their external assessment in 2024-25 the results of which will be shared with the Audit Committee giving insight to their compliance to the Public Sector Internal Auditing Standards (PSIAS).

9. Audit Committee Accountability Arrangements

Accountability arrangements	Frequency
To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions	A

To report to Full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.	A
To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.	A

P=Periodically, Q=Quarterly, A=Annually

The Annual Governance Statement is a statutory document which explains the processes and procedures in place to enable the council to carry out its functions effectively. The AGS is produced following a review of the council's governance arrangements and includes an action plan to address any significant governance issues identified. A key role of the Audit Committee is to ensure that the annual governance statement is an accurate assessment of governance, risk management and internal control operating in the authority drawing on information the committee has received and contains an action plan on areas for improvement.

In discharging its responsibilities the Audit Committee has requested Senior Officer attendance on areas of concern as well as making recommendations to officers and other committees where necessary:

14 December 2024

Predicted financial outturn (overspend) and future cost of Adult and Children Services:

Executive Director Adult Social Services, Mel Lock

Executive Director Children, Families and Education, Claire Winter

Balance Sheet Review: Executive Director of Resources and Corporate Services, Jason Vaughan

Governance: Interim Head of Democratic Services, Scott Wooldridge

25 January 2024

Financial Emergency Governance: Executive Director of Resources and Corporate Services, Jason Vaughan & Interim Head of Democratic Services, Scott Wooldridge

28 March 2024

Minute 84 - Strategic Risk Report for Somerset Council Recommendations: [Agenda Template \(somerset.gov.uk\)](#)

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.

30 May 2024

Transformation: Chief Executive, Duncan Sharkey and Executive Director Strategy Workforce and Localities

Adult Social Care - My Life, My Future Transformation Programme Update Report: Executive Director Adult Social Care, Mel Lock

9.1 Audit Committee Annual Report to Full Council

This document constitutes the annual report to Full Council providing an overview of the work undertaken by the Audit Committee to comply with its terms of reference. This report highlights information received by the Audit Committee in discharging its delegated responsibility for oversight for governance, risk management and internal control.

9.2 CIPFA Self-Assessment of Good Practice

The 2022 CIPFA Audit Committee Guidance provides a framework for assessing the Audit Committee against good practice. Where an Audit Committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee. A regular self-assessment should be used to support the planning of the Audit Committee work programme and training plans. It will also inform this annual report. Assessing the Audit Committee against that framework, the following areas were identified for development:

- SC to provide an overview of current significant partnerships highlighting current governance and oversight arrangements in place.
- Audit Committee to meet independently with Internal and External Auditors.
- Recruit a second co-opted independent member.
- To develop a feedback process from Senior Management and other Committees/Cllrs on how the Audit Committee is adding value (links with final action in 9.3).
- Audit Committee to be proactive in deciding areas of assurance that it requires and requesting appropriate assurance from officers/management.

9.3 Conclusion on Compliance to CIPFA Audit Committee Position Statement 2022

A review has been undertaken against the CIPFA Audit Committee Position Statement. Whilst the Audit Committee generally complies with the CIPFA Position Statement, there are some areas for work for full compliance. These include:

- Code of Local Governance to go to Audit Committee for review and oversight.
- The Audit Committee should receive a mid-term progress update providing assurances that the actions identified in the Annual Governance Statement are being addressed.
- Whilst the Internal Audit Quality Assurance & Improvement Plan (QAIP) is reported to the SWAP Board, an annual update should be provided to the Audit Committee.

- To consider reports from any other inspection agencies that raise matters of governance, risk management and control.
- Instigate a process that seeking feedback from key stakeholders such as Chief Officers, internal and external audit.

10. Annual Approvals

Annual Approvals	Frequency
Approve the annual accounts of the Council and the Annual Governance Statement.	A

P=Periodically, Q=Quarterly, A=Annually

10.1 As has been mentioned previously in this report, the Audit Committee has had a heavy workload in signing and approving legacy authority annual accounts and annual governance statements. The Audit Committee has received and approved nine statement of accounts relating to the 5 legacy authority, together with their respective annual governance statements and approved and signed off the Pension fund accounts.

11. Additional Areas for Committee work: Treasury Management

Treasury Management	Frequency
Provide an overview role in Treasury Management matters including regular monitoring of treasury activity and practices.	P
Review and recommend the Non-Treasury Management Investment Strategy, the Capital Strategy, the Flexible Capital Receipts Strategy, the MRP Strategy, and any appropriate Prudential Indicators to Council.	P

P=Periodically, Q=Quarterly, A=Annually

11.1 Treasury Management Practices (TMPs)

The TMP is a detailed document setting out how day to day treasury activity is undertaken by the council and is part of the suit of governance documents controlling the Council's Treasury Management activity. It is a requirement of the CIPFA code on treasury management for the council to prepare and maintain TMPs and should be a 'living document' that should be review and updated as necessary. The Audit Committee received a report containing the TMPs to ensure they were satisfied with the governance arrangements around the day to day management of the Treasury Management activity.

11.2 Treasury Management Strategy 2024-25

The Audit Committee received the Treasury Management Strategy report that brought the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice Revised 2021 Edition (CIPFA TM Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities: Revised 2021 Edition (CIPFA Prudential Code) together. The Audit Committee reviewed and asked a number of questions on the report before recommending it to for formal approval at Executive and Full Council.

11.3 Capital Strategy for Somerset Council April 2024 to March 2027

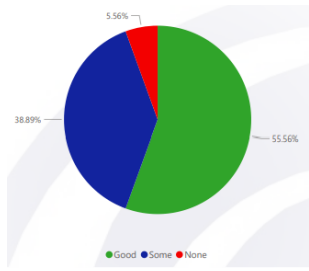
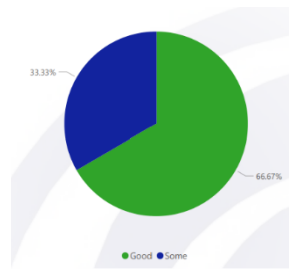
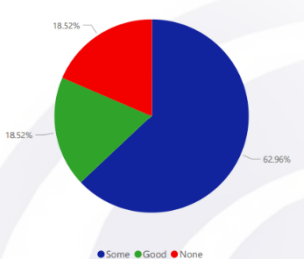
Under CIPFA’s Prudential Code for Capital Finance (2021) local authorities must put in place a Capital Strategy which explains how proposed capital expenditure contributes to the Council’s objectives and supports delivery of essential services, sets the funding strategies for new items of capital investment and provides an overview of how the risks associated with capital investments are being identified and addressed. The Audit Committee received a copy of the Capital Strategy for Somerset Council and asked a number of questions and comments. Following discussion the strategy was noted.

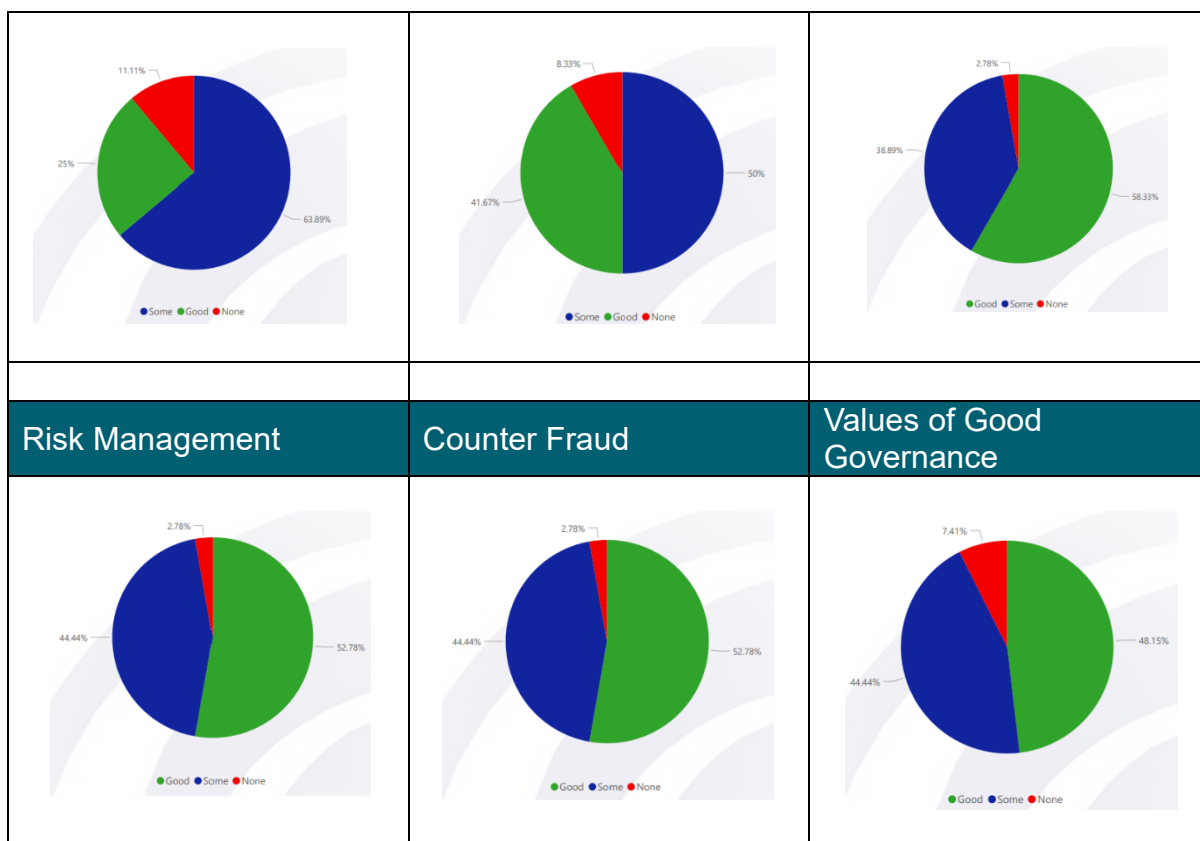
11.4 Flexible Use of Capital Receipt Policy 2024-25

A key part of the financial strategy for balancing the 2024-25 budget is the disposal of assets to generate capital receipts. The Audit Committee received and noted the Flexible use of Capital Receipts policy and made no specific recommendations around the policy before it went on to the Executive.

12. Outcome of Skills Survey against CFIPA key knowledge areas.

Members of the Audit Committee were surveyed during 2023-24 against the CIPFA Audit Committee members knowledge and skills framework. This information was used to help inform knowledge gaps to address through the appointment of independent members and inform future training & development requirements. A number of questions were asked under each knowledge area for members to consider their understanding as ‘good knowledge’, ‘some knowledge’ or ‘no knowledge’.

Organisational Knowledge	Audit Committee Role & Functions	Governance																						
 <table border="1"> <caption>Organisational Knowledge Survey Results</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Good</td> <td>55.56%</td> </tr> <tr> <td>Some</td> <td>38.89%</td> </tr> <tr> <td>None</td> <td>5.56%</td> </tr> </tbody> </table>	Category	Percentage	Good	55.56%	Some	38.89%	None	5.56%	 <table border="1"> <caption>Audit Committee Role & Functions Survey Results</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Good</td> <td>66.67%</td> </tr> <tr> <td>Some</td> <td>33.33%</td> </tr> </tbody> </table>	Category	Percentage	Good	66.67%	Some	33.33%	 <table border="1"> <caption>Governance Survey Results</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Some</td> <td>62.96%</td> </tr> <tr> <td>Good</td> <td>18.52%</td> </tr> <tr> <td>None</td> <td>18.52%</td> </tr> </tbody> </table>	Category	Percentage	Some	62.96%	Good	18.52%	None	18.52%
Category	Percentage																							
Good	55.56%																							
Some	38.89%																							
None	5.56%																							
Category	Percentage																							
Good	66.67%																							
Some	33.33%																							
Category	Percentage																							
Some	62.96%																							
Good	18.52%																							
None	18.52%																							
Internal Audit	Financial Management and Financial Reporting	External Audit																						



13. Training and Development

The current Audit Committee membership has had the following training sessions made available:

- June 2022 – General Overview for New Audit Committee covering:
 - Governance & 3 lines model
 - Role of S151 Officer
 - Role of External Audit
 - Role of Internal Audit
 - Redmond Review
 - Characteristics of a good Audit Committee & barrier to effective Audit Committees
 - Statement of Accounts
 - Finance & Governance issues
- November 2022 – Statement of Accounts
- February 2024 – The roles and responsibilities of Audit Committees and new internal audit standards.
- March 2023 - Charing and Influencing Skills for Audit Committee Chairs

In addition to these training sessions the External Auditors also provide sector updates to ensure the Audit Committee is kept up to date on relevant matters.