

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Council Offices, Cannards Grave Road, Shepton Mallet BA4 5BT, on Thursday, 29 August 2024 at 10.00 am

Present:

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

Cllr Simon Carswell	Cllr Mike Caswell
Cllr Norman Cavill	Cllr Simon Coles
Cllr Habib Farbahi	Cllr Tim Kerley
Cllr Rosemary Woods	Cllr Gwil Wren
Lindy Jansen van Vuuren (Independent Member)	

In attendance:

Cllr Peter Seib	Cllr Heather Shearer
Cllr Liz Leyshon	Cllr Richard Wilkins
Cllr Dixie Darch	Cllr Theo Butt Philip

Other Members present remotely:

Cllr Andy Kendall	Cllr Bill Revans
Cllr Sarah Wakefield	Cllr Ros Wyke

10 Apologies for Absence - Agenda Item 1

6

Before proceedings began the Chair thanked the former S151 Officer Jason Vaughan who was attending to present a report, for his hard work and welcomed the new S151 Officer, Maria Christofi to the meeting. He also thanked Steve Ashton for returning to the committee. He reminded Members that they were able to arrange a substitute, should they not be able to attend a meeting of the Audit Committee.

Apologies were received from Councillors Steve Ashton and Mandy Chilcott.

10 Minutes from the Previous Meeting - Agenda Item 2

7

The Committee was asked to consider the Minutes of the meeting held on 30 May 2024. Councillor Andy Sully proposed and Councillor Simon Coles seconded that they be accepted as a true and accurate record and were approved.

10 Declarations of Interest - Agenda Item 3

8

There were none.

10 Public Question Time - Agenda Item 4

9

No questions or statements were received.

11 External Audit Report and Sector Update Covering Somerset Council 2023-24 and South Somerset DC 2022-23 - Agenda Item 5

0

The Chair welcomed the Public Sector Audit Director, Grant Thornton UK LLP, Beth Bowers.

The Service Director Finance and Procurement, Nicola Hix, introduced the report, highlighting that it had been an achievement to sign off all the legacy council accounts. There was one outstanding audit for South Somerset District Council (SSDC) for 2022/23 which, by working with Grant Thornton, will be ready for the backstop date. The commissioned external help has now ceased so the work is back in-house, putting increased pressure on the team who are also working on the 2023/24 accounts for Somerset Council. Although there will be additional resources assigned, the task is particularly challenging as there are no SSDC legacy accountants remaining at the Council, meaning a lack of legacy knowledge,

Beth Bowers then presented the report, highlighting the following:

- Work continues on the South Somerset District Council 2022-23 accounts with audit re-engagement scheduled for September 2024.
- The Council, now utilising internal staff, are finalising the provision of outstanding information and a final set of quality assured balanced accounts. These will be provided back to Grant Thornton in September.
- Expectations are for the completion of these fully audited accounts to still be on track before the backstop date of December 2024, for all 2022/23 accounts, comes into effect.
- The Council's accounting team are working to produce a draft set of financial statements for Somerset Council 2023-24. It is hoped these will be provided to Grant Thornton in October 2024.
- Pressures of workload have caused delays. Despite plans to manage the

workload, with the deadline set as 28 February 2025, it presents a real risk to the Council's delivery of a fully audited set of accounts.

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

- Confidence in meeting the deadlines is relatively high. The plan that has been put in place is realistic and has built-in contingency to be able to meet the December 2024 backstop date.
- All auditors are undertaking value for money audits which it is expected that they will be able to articulate to some extent, even if they are unable to complete their full opinion. This is a national problem.
- The issues that had caused the SSDC accounts to be delayed had begun in 2020/21 and it was hoped that lessons learned would be applied to the 2022/23 audit.
- The reason that the external help had not completed the work was due to the lack of knowledge of SSDC as most accountants within that Council were contractors who had left and there were not enough resources.
- The Productivity Plan had been revised and approved by the Audit Committee earlier in the year. It can be re-circulated to Committee Members with progress highlighted.
- If the 28 February 2025 deadline cannot be fully met, with a few small pieces of work to complete, then will need to issue a disclaimed opinion. The opinion would detail the areas we do have assurance over, and those we don't.

The Audit Committee:

1. Noted the position of each of the three accounts and audit progress.
2. Understood the impact of the backstop dates, presenting a risk towards completing audited accounts.

111 Strategic Risk Report - Agenda Item 6

The Executive Director, Strategy Workforce & Localities, Alyn Jones, presented the report which highlighted the following:

- This report provides an overview of Somerset Council's strategic risks identified as of August 2024.
- The Corporate Leadership Team (CLT) along with the Performance, Risk & Budget Board have initiated steps to evaluate and update Somerset Council's strategic risks.
- The outcome will be an updated set of strategic risks complete with designated owners, assessments of risk levels, and plans for mitigation. The progress of this review will be communicated to the Audit Committee, including sharing the final updated strategic risks once approved.

- Risk management has a direct link to the Council's Plan, interlinked with the Medium-Term Financial Plan, and it is a fundamental part of the Annual Governance Statement (AGS). Additionally, it plays a significant role in the assessment of Value for Money by the External Auditors, underlining its importance for effective corporate governance.

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

- The spending cap for adult social care is going to be scrapped by the Government, but it is not anticipated that there will be any change in the in the next few years.
- Cutting the workforce budget is a live risk for the Council but the Executive have been clear we need to reduce the pay bill. There are trials in some areas to employ permanent staff rather than locums and the Council needs to ensure that it pays the market rate for staff, however, the size of the workforce needs to be addressed first.
- The Commercial Investment Disposal and Asset Management Strategy seems risky at the moment and the proceeds are to be used for day-to-day spending via capital receipts. Risk management on this specific activity needs a formal report at the next meeting.
- Disposal is a phased approach and a review is ongoing of the phasing of these disposals as shown in the going concern assessment.

The Audit Committee:

1. Noted the current strategic risks for Somerset Council set out in Appendix One
2. Requested an update on the risks regarding delivery of the Commercial Investment Disposal and Asset Management Strategy and Programme to be provided at the next Audit meeting.

11 Progress Report on the Recommendations of the Interim Auditor's Annual 2 Report 2022-23 - Agenda Item 7

The Service Director Finance and Procurement, Nicola Hix, introduced the report, which was an update to the report that the Committee had received in May 2024, and highlighted the following:

- Recommendations within the report are classified into a hierarchy of levels, these being Statutory, Key and Improvement.
- The auditors had made no Statutory recommendations, but there were 7 Key and 6 Improvement recommendations.

- A detailed action plan has been developed to address the recommendations and progress against each action plan will be monitored by the Performance, Risk and Budget (PRB) Board. The action plan will be monitored in the Ideagen system.
- There are 25 actions associated with the 7 Key recommendations of which 5 have been completed.
- Action KR6-2 had previously been shown as 100% complete, however is now 60% to reflect the review of the Council's budget monitoring system.
- Action KR6-1 was due for completion in July 2024 and is now overdue. This is subject to a review of the timeframe, outstanding activity and impact on the original completion date. A revised completion date of 20 December 2024 has been set.

The Audit Committee requested further details on a number of the Key Recommendations which were duly provided by the Service Director Finance and Procurement.

The Audit Committee:

1. Noted the progress made against the actions in relation to the Key Recommendations.

11 Improvement and Transformation Programme Risk Management Update - 3 Agenda Item 8

The Executive Director, Strategy Workforce & Localities, Alyn Jones, presented the report, which was an update on the potential risks linked to the Council's Improvement and Transformation Programme. He highlighted the following:

- Managing risk is integral to the programme management approach, encompassing regular evaluations, oversight, and reporting procedures.
- The last update to Audit Committee was in May 2024 and work to deliver the approach to whole Council transformation has continued to progress since the last update.
- The approach to whole Council transformation is encompassed within the Improvement and Transformation Programme which brings together the activity required to deliver our vision, redesign our organisation, reshape our workforce, transform our services, and deliver our savings.
- The Programme comprises five component interrelated parts which will run concurrently:
- There were 11 live risks identified, of 1 was red, 7 were amber and 3 were green. These were briefly explained to the Committee.

The Chair advised the Committee that the Chairs of the Audit and Scrutiny

Committees had met recently and discussed a joint approach to reviewing the risks within the Programme.

The Audit Committee asked a number of questions and made a number of comments as follows:

- Concerns over the implications of the disposal of properties as property is difficult to sell at the moment.
- How does the retention and recruitment of staff fit in to the Programme?
- It is important that all elected Members are getting the full picture of the Programme.
- A number of discrepancies between risks and impacts were identified which need attention.
- Artificial Intelligence (AI) is being looked at and Somerset Council is seen to be leading the way. Although early days, initial indications suggest a saving of 2.5 working hours per person, per week.
- There were 6 inherited planning systems and work is ongoing to streamline these, however they have not been identified as high priority.

The Audit Committee:

1. Noted the risks associated with the Improvement and Transformation Programme set out in Appendix A
2. Considered whether the proposed mitigating actions are adequate and appropriate to address concerns.
3. Requested that all elected Members are further informed on the progress and milestones of the Programme.

11 Internal Audit Annual Opinion Report 2023-24 - Agenda Item 9

4

The Chair welcomed the Assistant Director SWAP Internal Audit Services, Alastair Woodland, who presented the report which highlighted the following:

- The control framework is not operating effectively to mitigate key risks. A number of key controls are absent or are not being applied to meet business objectives.
- A significant number of medium and/or critical risk rated weaknesses have been identified in individual audit engagements.
- Isolated critical and/or high risk rated weaknesses have been identified that are not systemic.
- Internal audit has concerns about managements approach to resolving identified issues.

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

- The Chair requested a list of actions against the 21 priority 1 recommendations which are outstanding so that the Committee could monitor them more closely.
- There are 100 priority 2 recommendations outstanding. Some are not due yet. These will be identified in the next report.
- The Health and Safety Review Report was previously shared with the Committee. An update on progress will be provided at the next meeting.

The Audit Committee:

1. Noted the Internal Audit Annual Audit Opinion for 2023-24 for Somerset Council.
2. Requested an update on the completion of actions for the Health and Safety Governance internal audit report recommendations be provided at the next Audit meeting

11 Internal Audit Plan Progress Report 2024-25 - Agenda Item 10

5

The Audit Committee received the Internal Audit Plan Progress Report 2024-25 from the Assistant Director SWAP Internal Audit Services, Alastair Woodland.

He highlighted the key points of the report as follows:

- The 2024-25 Annual Internal Audit Plan is to provide independent and objective assurance on the Council's Internal Control Environment. This work will support the Annual Governance Statement.
- 6 planned reviews and support activities have been completed, 14 reviews are in progress and 1 review is at draft stage.
- 2 follow-ups have been finalised to assess risk exposure in previous areas of control weakness.
- 14 recommendations have been completed, 14 priority 1 are overdue and 72 priority 2 are overdue.

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

- Although the Council is going in the right direction, the auditors noted that there was room for improvement and the balance was not where it should be. Time is a concerning factor to get things right.
- Regarding the lack of assurance on Pupil Referral Units, Officers have

responded quickly and much work has been done since June 2024.

- Debt recovery takes a lot of Officer time. It is an area that needs to be improved such by getting payments up front, timely invoicing etc.
- The property team needs to be adequately resourced to ensure that nothing is missed. More detail would be available at the Property and Investment Sub-committee.

The Audit Committee:

1. Noted the position of the 2024-25 Internal Audit Plan and considered any significant governance, risk and control weaknesses identified.

11 Somerset Council Going Concern Assessment - Agenda Item 11

6

The former S151 Officer Jason Vaughan presented the report. He highlighted that the Statement of Accounts for Somerset Council are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) and that in accordance with the Code, they must be prepared on the basis that Somerset Council is a going concern. The factors that underpin an assessment of “going concern” are:

- The current financial position
- The projected financial position
- The strength of the Balance Sheet
- Cash flow
- Corporate governance arrangements
- The external regulatory and control environment

The report continued that the Council was in a more favourable position with a 2023/24 underspend of just under £2m, General Reserves of over £52m, 2024/25 budget monitoring forecasting an underspend of £0.2m, an approved Financial Strategy and an updated MTFP showing that the budget can be balanced over the medium term. In conclusion, the report stated that it was appropriate to prepare the 2023/24 statement of accounts on a “going concern” basis.

The Audit Committee asked a number of questions and made a number of comments as follows:

- It was noted that the level of external debt had reduced overall by £10m and a watchful eye needs to be kept on borrowing levels.
- There will be further challenges ahead but there are mitigation plans in place.
- There is still work to do in accurately profiling the budget as there are many different budgets with various profiles.

- The budget monitoring report is based on the outturn report and this is where the small underspend comes from at this stage.

The Audit Committee:

1. Noted the Section 151 Officers assessment that the Council is a “going concern” and agreed that the 2023/24 statement of accounts should be prepared on that basis.

11 Annual Governance Statement 2023-24 - Agenda Item 12 **7**

The Interim Head of Governance & Democratic Services, Scott Wooldridge, presented the report which highlighted that the Account and Audit (Amendment) (England) Regulations 2015 require the Council to produce an Annual Governance Statement (AGS) to sit alongside the annual Statement of Accounts. The AGS provides assurance that the Council has a sound governance framework in place to manage the risks that might prevent its achievement of statutory duties and organisational objectives. Good governance is an essential pre-requisite to any organisation pursuing its vision effectively and underpins that vision with effective control mechanisms and risk management. He also highlighted the following:

- The approach to the assessment is guided by the CIPFA Financial Management Code.
- It is important to note the assurances about what the Council is doing about the areas that need to be improved. The “what, who and when” is a key part of the action plan which uses evidence from the internal and external audits and statements from each of the Executive Directors.
- As an organisation, we do have the policies, framework and systems to deal with the complexity of the LGR but there are specific areas for improvement.
- Neither the S151 Officer nor the Monitoring Officer had had to use their statutory duties to elevate anything during 2023/24.

The Chair noted that the AGS will come back to the Committee as part of the Annual Statement of Accounts in September and thanked all the Officers and Auditors for their hard work in putting it together.

The Audit Committee:

1. Reviewed and commented on the draft Annual Governance Statement 2023/24 (Appendix A), the Action Plan for 2024/25 and 2025/26 (Annex 1), the supporting evidence (Annexes 2, 3 and 5) and the Local Code of Corporate Governance (Annex 4).

2. Noted that the final version of the AGS will be presented to the Audit Committee on 30 September 2024 as part of the annual Statement of Accounts 2023/24.

11 Exclusion of the Press and Public - Agenda Item 13

8

The Committee was asked to consider passing a resolution under Schedule 12A of the Local Government Act 1972 to exclude the press and public from the meeting, on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information. This was proposed by Councillor Andy Sully and seconded by Councillor Tim Kerley and was approved unanimously.

The Audit Committee:

1. Passed a resolution to exclude the press and public from the meeting on the basis that if they were present there would be a likelihood of disclosure of exempt information.

Votes: Unanimous

11 Somerset Council 2023-24 IT Audit Report - Agenda Item 14

9

Confidential minute.

At the end of the discussion the Audit Committee noted the report and the action required by the Council.

12 Audit Committee Workplan - Agenda Item 15

0

The Audit committee received the Audit Committee Workplan from the Chair which detailed the forward plan of items currently for consideration at the meeting of the Audit Committee on 30 September 2024.

The Audit Committee:

1. Considered whether the content of the proposed workplan and was adequate and appropriate.

(The meeting ended at 2.00 pm)

.....
CHAIR