

Committee Report

Committee: Audit Committee

Meeting or Proposed Decision Date – 12 November 2024

Key Decision – No



Interim Auditor's Annual Report 2022/23 – Action Plan Progress Update

Executive Member(s): Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance.

Local Member(s) and Division(s) affected: ALL

Executive Director: Maria G. Christofi, Interim Chief Finance Officer (Section 151 Officer)

Executive Summary

This report provides an update on progress against the action plan in response to the Key Recommendations and Improvement Recommendations in the Interim Auditor's Annual Report for 2022/23.

Recommendations

The Audit Committee is asked to consider the progress made against the actions in relation to the Key Recommendations and Improvement Recommendations from the Auditor's Annual Report for 2022/23

Reasons for Proposals

As a key component of the Council's governance framework, the Audit Committee has a responsibility to monitor progress of action plans in relation to the Auditor's Annual Report to the Council.

Report Author: Sian Kenny, Financial Governance Lead, Finance and Procurement

Contact Details: 01823 359392 sian.kenny@somerset.gov.uk

Main report and supporting information



Background and purpose of report

1. At its meeting in January 2024, the Audit Committee were presented with Grant Thornton's Interim Auditor's Annual Report to Somerset Council 2022/23, which included a summary of findings and recommendations, accompanied by the Council's management response.
2. The Code of Audit Practice, which was revised in 2020, updated the way external auditors report on arrangements to secure value for money. This has resulted in a more comprehensive report and is the outcome of the substantial work undertaken by the External Auditors (Grant Thornton) which involved research and evidence gathering to support the Council's position in respect of:
 - Ensuring financial sustainability
 - Managing governance arrangements
 - Securing economy, efficiency, and effectiveness in its use of resources
3. Recommendations made in the report are classified into a hierarchy of levels:
 - Statutory Recommendations
 - Key Recommendations
 - Improvement Recommendations
4. The external auditors made no statutory recommendations to the Council because of their findings, but they did make seven Key Recommendations and six Improvement Recommendations.
5. All recommendations are linked to financial sustainability, governance arrangements or efficient and effective use of resources. Management agreed with the recommendations and provided a response to each recommendation
6. A detailed action plan has been developed to address the recommendations. Progress against the action plan will be monitored by the Performance, Risk and Budget (PRB) Board. The action plan will be monitored in the Ideagen system.
7. Previous reports to Audit Committee focused on progress of actions against the Key Recommendations, with assurance that progress of actions against the Improvement Recommendations would follow. This report includes both.
8. **Appendix A** provides a detailed update on progress against the Key Recommendations and **Appendix B** a detailed updated on progress against the Improvement Recommendations.

9. There are 25 actions associated with the seven Key Recommendations and 16 actions associated with the six Improvement Recommendations. Each of the actions have a unique reference starting with KR or IR. Each action has a due date for completion, with all recommendations to be completed by the end of the financial year. A senior officer is responsible for delivering the action (“Assigned To”) and the action is owned by an Executive Director or Service Director (“Managed By”).
10. The table below summarises the status of the Key and Improvement recommendations. The status is in **bold** font and the previously reported status for the Key Recommendations, which were reported to the Audit Committee in August, is in brackets.

Type of Recommendation	Total	Completed	In Progress	Overdue	Cancelled (Closed)
Key	25	10	14	-	1
Improvement	16	11	4	1	-
Total	41	21	18	1	1

11. The cancelled action, as previously reported to Audit Committee, was closed following the Council’s agreed disposal strategy (in line with DLUHC’s directives to the authority to dispose of its commercial investment properties to be eligible for a capitalisation direction), to avoid a S114. Therefore, although income and costs are being monitoring, comparison to the original business case for each asset is no longer appropriate.
12. The overdue Improvement Recommendation (IR3 – 1 “Consider the strengths and weaknesses identified in each of the predecessor council’s risk management arrangements”) has a due date of 31 July 2024. The item is on today’s Audit Committee agenda, followed by consideration by the Executive at their meeting on 02 December 2024. The action will be updated accordingly following both these meetings.
13. All other recommendations have been updated and are on track to be completed by their due date.

Links to Council Plan and Medium-Term Financial Plan

14. The recommendation in this report links to the Council’s priority for a flourishing and resilient Somerset and to the Medium-Term Financial Strategy.
15. The report supports the transparent accountability for the Council’s financial sustainability, good governance and delivery of value for money with public funds.

Financial and Risk Implications

16. There are no direct financial implications associated with the recommendation.

17. Actions identified in this action plan are key mitigations for the following Strategic Risks:

- i. **ORG0057 Sustainable MTFP.** This risk is owned by the Section 151 Officer along with the current actions that are being monitored to mitigate the risk.

Current Risk Score:

Likelihood	5	Impact	5	Risk Score	25
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Projected risk score:

Likelihood	2	Impact	2	Risk Score	4
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- ii. **ORG0063 Commercial Investments.** This risk is owned by the Executive Director of Resources, Strategy and Transformation along with the current actions that are being monitored to mitigate the risk.

Current Risk Score:

Likelihood	4	Impact	4	Risk Score	16
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Projected risk score:

Likelihood	3	Impact	3	Risk Score	9
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Background Papers

1. Internal Auditor's Annual Report 2022/23 to Somerset Council

Appendices

- **Appendix A** – Auditor's Annual Report (AAR) Key Recommendations Action Plan, including progress against the actions.
- **Appendix B** – Auditor's Annual Report (AAR) Improvement Recommendations Action Plan, including progress against the actions.

**Report assurance checklist ahead of report publication
(for Audit, Executive, Full Council and Scrutiny Committees)**

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	01/11/2024
Finance & Procurement	Nicola Hix	31/10/2024
Workforce (*)	Dawn Bettridge	Not applicable
Asset Management (*)	Oliver Woodhams	Not applicable
Executive Director	Maria G. Christofi	01/11/2024
Executive Lead Member	Relevant Lead Member	01/11/2024
Consulted:	Councillor Name	
Local Division Members	List local members	Not applicable
Opposition Spokesperson(s)	Relevant Opposition Spokesperson	Not applicable
Relevant Scrutiny Chair(s)	Relevant Chair	Not applicable

Note:

Directors may nominate additional officers to act on their behalf

(*) – these areas only need to be consulted on proposals if the proposals have workforce or asset management implications

Reports will not be published if assurance checklist has not been adequately completed – report author to liaise with Democratic Services well ahead of publication deadline