

Draft minutes of a meeting of the Audit Committee held on 19th January 2023 at 10am in the Luttrell Room, County Hall, Taunton TA1 4DY

Committee members present: Cllr Andy Sully (Chair), Cllr Simon Carswell, Cllr Dixie Darch, Cllr Mike Stanton, Cllr Mandy Chilcott, Cllr Mike Lewis, Cllr Habib Farbahi, Cllr Mike Hewitson, Cllr Steve Ashton, Cllr John Hunt.

Officers present:

Jason Vaughan	Head of Finance and S151 Officer Somerset County Council (SCC)
Barrie Morris	Managing Director Grant Thornton UK LLP,
Oscar Edwards	Assistant Manager Grant Thornton UK LLP
Pam Pursley	Risk Manager and Audit committee Manager SCC
Paul Griffin	Service Manager Chief Accountant SCC
Angela Farmer	LGR Risk Manager Sedgemoor District Council
Alastair Woodland	Assistant Director SWAP Internal Audit Services
Connor McLaughlin	Internal Auditor SWAP Internal Audit Services
Stephanie Gold	Senior Democratic Services Officer SCC
Lee Willment	Democratic Services Officer SCC

Agenda item 1: Apologies for absence

Apologies were received from Cllr Dean Ruddle (sub Cllr Mike Hewitson), Cllr Mike Caswell (sub Cllr Steve Ashton), Cllr Simon Coles (sub Cllr Dixie Darch) and Cllr Hugh Davies (sub Cllr John Hunt) Cllr Tim Kerley (sub Cllr Mike Stanton)

Agenda item 2: Declarations of Interest

No declarations of interest received by members.

Agenda item 3: Minutes from the meeting held on 24th November 2022

Members approved the minutes of the previous meeting held on 24th November 2022.

Agenda item 4: Public Question Time

There were no members of the public registered to speak.

Agenda item 5: Annual Audit findings report 21/22 final sign off

Barrie Morris Grant Thornton LLP presented members with the final 21/22 Annual Audit findings report for members approval at the meeting. He talked members through some of the changes since the report was presented at the meeting of the 24th November 2022, including some minor amendments to wording of the accounting policy. He highlighted some of the headlines from the report i.e., the processes around declarations of interest

made by members and senior officers, contract management and some changes to capital commitments. The following comments and questions were received and discussed -

- Page 26 - The valuation of infrastructure assets – What is the procurement process, and could one be assured that this process is conducted with due diligence?

Answer

The Managing Director Grant Thornton LLP advised that this is a national issue, and that he was comfortable that the Council is following the appropriate guidance on this.

- Page 22 - The findings on journals are concerning.

Answer

The S151 officer reassured members that, as discussed at the previous meeting, a new system would soon be in place which would help resolve many of the issues identified.

- Page 28 - Members and officers discussed the detail around the increased pension liability.
- There was a query around MRP and the use of 50-year terms.

Answer

The S151 officer advised that a new MRP Statement would be coming to committee on 2nd February which would bring together the MRP Policy of all five councils. The Managing Director Grant Thornton UK LLP added that MRP reflects the borrowing period to fund the purchase of land, so land that is funded over a borrowing period of 50 years has an MRP of 50 years.

- Cllr Liz Leyshon, Lead Member Finance thanked all those involved for the great work in getting this audit completed.
- Regarding the Certificate of Closure for the audit, when would this be this issued?

Answer

The Managing Director Grant Thornton UK LLP advised that at this stage they are issuing the opinion only, and that the certificate can't be issued until confirmation from the NAO. It was standard practice for certificates of closure to be issued around 18 months after the audit period ends.

All members approved the Annual Audit Findings report 21/22 and it was agreed that Cllr Andy Sully (acting as Chair in Cllr Dean Ruddles absence) would sign off the report on behalf of the committee.

Agenda item 6: Statement of Accounts 21/22 final sign off

Paul Griffin, Chief Accountant Somerset County Council, presented members with the final 21/22 Statement of Accounts for members approval and sign off by the Chair. He explained that this report was very much aligned to the audit findings report so many of the changes had already been covered under that report and applied to this report too. He therefore asked members to consider both the Annual Audit findings report 21/22 and the Statement of Accounts 21/22 together. He advised that aside from some minor amendments to wording around how infrastructure was disclosed, and a revised letter of representation to allow for Cllr Andy Sully to sign the accounts in Cllr Dean Ruddles absence, there were very little change to this report since it was brought to this committee on 24th November 2022.

The following comments and questions were received and discussed -

- Page 168 - Adult Services – The figures from 20/21 and 2021/22 were very different, what was the reason for this?

Answer

The Chief Accountant advised that he would look into this variance and provide the committee with a written response.

- A question regarding pensions liability and materiality level used was asked.

Answer

The Managing Director Grant Thornton UK LLP explained that the materiality level they used was approx. 13 million, so this is quite low in comparison.

- Have the most recent inflationary factors had any impact on these figures? Had it been factored in there?

Answer

The Chief Accountant advised that he would check that and provide the committee with a written response.

- Page 20 - 14.4 million was queried.

Answer

The Managing Director Grant Thornton UK LLP explained the use of performance materiality.

All members agreed to approve the Somerset County Council Statement of Accounts 21/22 and it was agreed that Cllr Andy Sully (acting as Chair in Cllr Dean Ruddle's absence) would sign off on behalf of the committee.

Agenda item 7: SWAP Internal Audit Update

Alistair Woodland SWAP Internal Audit Services presented the regular progress report from SWAP on the completion of the current Internal Audit Plan, he highlighted the high risks that had arisen from their work. He introduced Connor McLaughlin, Internal Auditor, to talk members through the published report which highlighted the key findings for members to consider. The following comments and questions were received and discussed –

- Page 331 - Regarding contract management and the risk of being unable to deliver key services, how was this being addressed?

Answer

The Assistant Director SWAP advised that, as this had been given limited assurance it would be tracked on the internal audit dashboard. He reassured members that an appropriate action plan was in place, and this would be monitored very closely. The S151 officer advised that a Contract Management team existed within the authority, and that they would ensure that any training needs would be provided.

- Regarding auditing of contract managers, did SWAP contact all contract managers in the authority, or just a sample?

Answer

The Internal Auditor advised that all contract managers on the contracts register have been contacted and that there has been a 26.7% response rate on that survey.

- One member felt that the 26.7% participation rate was unsatisfactory and felt that this was an organisational culture issue. How could this be improved going forward?
- Could this internal audit update be presented by directorate, and shared with lead members on a regular basis? The Chair requested that this be given some further consideration after the meeting.
- Page 341 - More detail on LEP grants was requested.

Answer

The Assistant Director SWAP explained that part of their work was to ensure that LEP grants were administered diligently.

- Page 327 - Regarding overdue actions related to safeguarding complaints, how was this being addressed?

Answer

- The Internal Auditor advised that the overdue actions for Safeguarding had been reported because they were still waiting for the data. He felt confident that the recommended actions were being implemented.
- Page 327 - What was being done at Berkley school?

Answer

The Assistant Director SWAP advised that a review on Berkely School would be complete in a couple of days.

- Limited assurance on contract managers was queried.

Answer

This was to do with management effectiveness, not just training.

- Cllr Liz Leyshon, Lead member Finance, advised the committee that Corporate Performance reporting would be a focus for the new Somerset Council.

Audit committee members noted the report.

Agenda item 8: Somerset Council Risk Management Policy & Strategy

Pam Pursley, Corporate Risk Manager SCC presented the report and explained that it was a strategy for the new Somerset Council and had been developed with officers from all five councils as part of the LGR Risk workstream. Part of this work involved amalgamating the risk registers of all five councils and this new risk register would be coming back to this committee in March 2023. The Corporate Risk Manager explained that there were several dependencies as shown on page 344, including staff structures, which would be confirmed. A decision had been made to continue using JCad software for consistency, but this would be reviewed later.

She advised that herself and the LGR risk manager would begin looking at operational risks across all five councils next week and that there was also a need to work with the district councils on any major project risks. The Corporate Risk Manager confirmed that this strategy proposed continuation of the risk scoring matrix used by Somerset County Council for consistency. The Corporate Risk Manager advised that as part of this strategy there would be risk training for senior officers from all five councils held in February/March 2023, as well as training for this committee in May 2023. The Chair asked if this training invitation could be extended to all members and the Risk Manager confirmed that this could be done. The following questions and comments were received and discussed –

- One member asked about 'Gravity', a project in Bridgwater.

Answer

Cllr Liz Leyshon, Lead member Finance, informed the committee that due to commercial sensitivities of the project at this time it could not be discussed in public session. She offered to discuss this with the Councillor in confidence after the meeting.

- Page number 359 - one member asked if annual reporting to Executive Directors was enough?

Answer

The Corporate Risk Manager advised that currently reporting to the Senior Leadership Team was taken on a quarterly basis and that this would be likely to continue. She would reconsider the reporting mechanism for Executive Directors and bring this back to the committee.

- It was noted that there seemed to be a lack of information on members' operational risks, those risks that occurred as a result of the day-to-day work of a councillor. i.e., reputational risk, failure to deliver services.

Answer

Cllr Liz Leyshon, Lead member for Finance, advised that there was work ongoing regarding the casework management system that would help to manage this. The S151 officer added that this would come in the form of an intranet system for members. Members discussed the potential benefits of a members' intranet for reporting and managing casework and risk. One member felt that upskilling members on Teams software would be very beneficial to members and the Chair agreed that whilst Teams was a good tool for communication, what was needed was a system where members casework could be monitored and managed to properly regulate the risks associated with their work.

The Corporate Risk Manager thanked the committee for their comments and questions and advised that these would be considered carefully before the Risk Management Strategy was taken to the Executive for approval.

Agenda item 9: Somerset County Council Strategic Risk Update

Pam Pursley Corporate Risk Manager SCC presented members with the regular update report on the SCC Risk Register and the progress in mitigating the highest scoring risks. She advised the committee that there had not been a lot of change since the last report, and that this was, in part, due to resource capacity and some difficulties in obtaining all the data from all risk owners across the organisation.

Audit committee members noted the update report.

Agenda item 10: Local Government Reorganisation Strategic Programme Risk update

Angela Farmer, Local Government Reorganisation Risk Manager presented members with the regular update of the LGR programme risks and advised members that this update considered the findings of the SWAP internal audit update report as discussed at item 7 of this agenda. She advised that the LGR programme was moving into the day 1 business readiness phase and that work on a transitional risk register was underway. The following comments and questions were received and discussed -

- Page 391 - Risk ref 10 had a score of 20 but was then reduced to 8 at the end of March. Why was this, when clearly the budget risks did not cease to exist on the 31st of March 2023?

Answer

The LGR Risk Manager explained that this risk score was about the LGR programme specifically, rather than the council's financial position.

- It was queried whether this report was going to be moved to the next meeting of the LGR Scrutiny committee?

Answer

- The LGR Risk Manager confirmed that this update was due to go to LGR scrutiny later that day, and then on to the LGR Programme board the following week.
- Cllr Liz Leyshon, Lead member Finance advised that the work of the service alignment workstreams had been quite extraordinary, and that this team were working on bringing together the best service standards from across all five councils into the new Somerset Council.

Agenda item 11: Committee Future Work Programme

Jason Vaughan, Head of Finance and S151 Officer gave members several verbal updates regarding the committee future work programme for the remainder of the financial year including,

- The Special meeting scheduled for the 2nd of February was for the Audit committee to consider the MTFP strategies before being approved at the budget setting meeting of Full Council on 22nd of February 2023.
- He asked members to consider cancelling the Audit meeting scheduled for the 16th of February 2023, deferring all of the items to the 23rd of March 2023. There were no objections from any members of the committee and the cancellation of the 16th of February meeting was agreed.
- Finally, he advised that he would be bringing a report regarding the appointment of a second independent member to the meeting on the 23rd of March 2023.

The following questions and comments were received and discussed -

- It was queried why the LGR risk item scheduled for the 23rd of March meeting was needed?

Answer

The LGR Risk Manager explained that this item would be a report to close the LGR risk workstream.

- Cllr Bill Revans, leader of the Council, reminded all members of the committee that Local Government Reorganisation was a process and not an event. There was a lot of work to be done after vesting day and therefore he felt that LGR risk should remain on the agenda.
- The Committee was asked to clarify what criteria was used in the appointment of an independent audit committee member?

Answer

The S151 Officer advised that this appointment was based on the candidate's ability to add skills and knowledge that may not already exist within the membership of the committee currently. He added that recruitment of independent members could be difficult, and for this reason The Council would be considering remuneration to attract good candidates.

- It was queried whether the Annual Report to Council item that was scheduled for the 16th of February meeting could be deferred to the 23rd of March meeting?

Answer

- This request was agreed by all members, with the support of the Audit committee Manager and the S151 Officer.
- Would there continue to be two risk items on the agenda post April 2023?

Answer

The Risk Manager LGR explained that from April 2023 Somerset Council Risk update would become one item on the agenda.

Agenda item 12: Any other urgent items of business

There were no urgent items of business raised by the Chair