



Audit Committee - Thursday 22nd October 2020

Please find attached a copy of the draft minutes from the meeting held on 30 July 2020.

Agenda Item 1

South Somerset District Council

Draft Minutes of a meeting of the **Audit Committee** held by video-conference using Zoom meeting software **on Thursday 30 July 2020.**

(10.00 am - 11.20 am)

Present:

Members: Mike Hewitson (in the Chair)

Robin Bastable
Mike Best
Dave Bulmer
Brian Hamilton

Paul Maxwell
Robin Pailthorpe
Jeny Snell
Colin Winder



Officers

Alastair Woodland
Jo Nacey
Paul Matravers
Angela Cox
Michelle Mainwaring
Becky Sanders

Assistant Director, SWAP
Section 151 Officer
Lead Specialist (Finance)
Specialist (Democratic Services)
Case Officer (Strategy & Commissioning)
Case Officer (Strategy & Commissioning)

Also Present:

Derek Yeomans
Peter Seib

Independent Member

71. Minutes (Agenda Item 1)

Some members noted they had not had the opportunity to review the draft minutes from the meeting held on 25 June 2020. It was agreed to defer approval of the minutes to the next meeting.

72. Apologies for absence (Agenda Item 2)

An apology for absence was received for Councillor Malcolm Cavill and Councillor Colin Winder was present as substitute. An apology for absence was also received from Councillor Martin Carnell.

73. Declarations of Interest (Agenda Item 3)

There were no declarations of interest.

74. Public question time (Agenda Item 4)

No members of the public were present at the meeting.

75. Date of next meeting (Agenda Item 5)

Members noted the next meeting of the Audit Committee was scheduled for 10.00am on 22 October 2020 and was likely to be held virtually using Zoom.

Note: Through discussion of item 6 (Internal Audit Annual Activity Report 2020/21) members requested and agreed to convene an additional meeting on 10 September 2020.

76. Internal Audit Annual Activity Report 2020/21 (Agenda Item 6)

The Assistant Director of the South West Audit Partnership (SWAP) presented his report which updated members on the progress of the Internal Audit Plan 2020-21 and brought to their attention any significant findings identified through the audit work. He highlighted some key elements of the report including the work completed in quarter 1 and that no corporate risks had been identified in the first quarter.

The Control Assurance Definitions had changed slightly and he would circulate further details to members – the main change was ‘partial’ had changed to ‘limited’ to reflect national wording. He referred to Appendix B and highlighted the audits that had been delayed due to the Covid-19 situation. The Project Governance and Health & Wellbeing audits were underway and he confirmed that he would circulate further details to members for information. Financial resilience was recognised as a risk but it was unclear at present when that audit would commence. He reminded members that the Audit Plan would be subject to change throughout the year.

During a long discussion members raised varying comments and questions on points of detail, some of which included:

- Was there anything the Audit Committee should be doing regarding direction of travel for the potential reorganisation of local government in Somerset?
- When were the last ICT audits done as several keep being delayed – would there be any additional risks from the delays?
- Should Audit Committee consider a paper on the effect to finances from the Covid-19 situation. District Executive receive a report and question if Audit Committee should meet before the scheduled October meeting?
- At one stage there was due to be a joint meeting between the Scrutiny and Audit Chairmen with the S.151 Officer, but it hasn't happened to date.
- Feel more information is needed about the financial risk to SSDC due to the impact of Covid-19.

In response to some of the comments made during discussion, the S.151 Officer and Assistant Director (SWAP) noted that:

- Only the Secretary of State could make a decision about unitary proposals.
- Audit would continue as business as normal and see no reason to change that approach at the current time.
- The Somerset district councils were working on an alternative proposal to the County Council One Somerset unitary approach. We will continue to work with the other districts and Audit to ensure proposals are robust.
- The timeframes between different ICT audits varied as each ICT audit was slightly different. SWAP were beginning to look at the ICT audits.
- The S.151 Officer was content to bring a paper forward to the Audit Committee considering the financial implications of the pandemic.

- Controls were in place regarding awarding of central government funded Covid-19 related grants and the accounting returns that are required to be submitted to government.
- Significant sums of money were involved regarding the Covid-19 grants to businesses. Weekly accountancy returns were made and measures were in place to identify ineligible claims.
- Through work undertaken by the Revenues and Benefits team, SSDC had a list of businesses who were believed to be eligible for Covid-19 grant funding but a significant number had still not claimed. Any surplus funding was due to be returned at the end of August.
- Acknowledged there is a shortfall in funding due to varying pressures from the impact of Covid-19, but can reassure members that the authority has reserves to mitigate the situation.
- Will clarify when the last day is that business can apply for Covid-19 grant funding and will circulate details to members.

Members felt given the Covid-19 situation there was a need for Audit Committee to see and consider more frequent reports regarding the Council finances. Some were of the opinion that Audit Committee should see some of the financial reports before the District Executive rather than receiving summary versions afterwards. It was proposed and unanimously agreed that there should be an additional meeting arranged for early September, and a date of 10 September was noted. Members requested to receive a short written update on the status of finances, the impact of Covid-19 on the budget and the Covid-19 risks.

In response, the S.151 Officer, commented she would be on holiday for the September meeting but would be happy to do a briefing paper before then for members if it helped and for the Deputy S.151 Officer to attend the meeting. She confirmed she was happy to provide a briefing paper update now and another update report nearer the time for the September meeting.

Members were content with the approach suggested by the S.151 Officer.

- RESOLVED:**
- That the progress made in the delivery of the 2020-21 Internal Audit Plan be noted.
 - That an additional meeting of the Committee be arranged for 10 September to receive an update on the status of finances, impact of Covid-19 on the budget and the Covid-19 risks.

77. **SWAP Independent External Assessment Report 2020 (Agenda Item 7)**

The Assistant Director (SWAP) presented his report which provided members with details of the outcomes from the recent independent external assessment for SWAP Internal Audit services. He highlighted the definitions detailed at paragraph 4.2, and noted the assessment outcomes were usually monitored by the SWAP Board which was why the report had not been to Audit Committee before. Members were informed there would be an update report early next year to report on progress.

There was no discussion and members were content to note the report.

- RESOLVED:** That the SWAP Independent External Assessment Report 2020 be noted.

78. Review of Effectiveness of Internal Audit 2019/20 (Agenda Item 8)

The S.151 Officer presented the routine annual report which informed the Audit Committee of the assessment and outcome of the review of the effectiveness of the Internal Audit function performed by SWAP during 2019/20. She explained that the report included some performance information for benchmarking purposes. She highlighted the actions to be implemented and that future reports would be made to inform on progress of those actions.

During a short discussion, and in response to queries on points of details, the S.151 Officer and Assistant Director (SWAP) explained that:

- There was an error in the table at paragraph 10 – the audit and reviews completed in 2019/20 – the percentage figure stated was wrong but the figure of 22 out of 23 was correct.
- Table at paragraph 15 – Liaison with the S.151 Officer was as and when required but SWAP also met jointly with the S.151 Officer and Senior Leadership Team at least four times a year, but could meet more frequently as required.

One member raised some specific concerns about the ICT audits. In response the S.151 Officer noted and agreed to contact the councillor outside the meeting to provide a response to his queries.

At the end of discussion members were content to note the report.

RESOLVED: That the findings of the Review of Effectiveness of Internal Audit 2019/20 including the opinion of the S.151 Officer and Deputy S.151 Officer be noted.

79. Financial Procedure Rules (Agenda Item 9)

The S.151 Officer presented the report which detailed some updates and changes to the Financial Procedure Rules (FPRs), and noted the FPRs had not been reviewed for some time. She explained that the suggested changes were to bring the document up to date and to make it compliant with the current organisational structure following Transformation, and to try and make the document easier to read and use.

During discussion by members, several observations and suggestions were made including:

- Paragraph 7.2, b, typo in last sentence – should read ‘excepted’ instead of ‘accepted’.
- Document needs to be under constant review, at least once a year.
- Cyber security doesn’t seem to be mentioned but physical security is. Should cyber security be referenced in more detail?
- The heading for paragraph 13.2 is highlighted - what did this mean? - was some detail missing or should the whole section be highlighted?
- Paragraph 13.2, b, top line of the table - what is a non-investment property acquisition? Under what circumstances would such an acquisition be made as a substantial value could be involved - when had the decision been made?
- When the report goes to Council the changes need to be made more clear – a summary of the changes would be helpful and some definitions e.g. non-investment properties.

In response to comments made, the S.151 Officer noted that:

- She believed there were separate policies for ICT, and cyber security featured more prominently within those – she would however look into the matter to check.
- Regarding non-investment property acquisitions, it was something that was in the FPRs prior to her being in post. She understood the levels of delegation and limits had already been agreed at full Council, but she would check the detail and provide a response by email.

In discussion, members unanimously agreed the FPRs should be reviewed at least annually. A member felt additional information was required relating to comments made during discussion prior to making a recommendation to full Council.

It was proposed to recommend to full Council that the FPRs be approved, with an additional recommendation that the FPRs be reviewed at least annually. On being put to the vote, the proposal was carried 6 votes in favour with 2 abstentions.

RESOLVED: That Audit Committee recommend:

- Full Council approve the Financial Procedure Rules as attached to the Audit Committee agenda report.
- The Financial Procedure Rules are reviewed at least annually.

(Voting: 6 in favour, 0 against, 2 abstentions)

80. Audit Committee Forward Plan (Agenda Item 10)

The Chairman reminded members of the additional meeting, as discussed and agreed earlier in the meeting, suggested for 10 September.

Members were content to note the Audit Committee Forward Plan.

RESOLVED: That the Audit Committee Forward Plan be noted.

.....
Chairman