

South Somerset District Council

Minutes of a meeting of the **Audit Committee** held in the **Virtual Meeting using Zoom meeting software on Tuesday 22 December 2020.**

(10.00 - 11.10 am)

Present:

Members: Councillor Martin Carnell (Chairman)

Robin Bastable
Mike Best
Dave Bulmer
Brian Hamilton
Mike Hewitson

Paul Maxwell
Robin Pailthorpe
Jeny Snell
Colin Winder



Officers

Jo Nacey	Section 151 Officer
Nicola Hix	Director (Support Services)
Paul Matravers	Lead Specialist (Finance)
Michelle Mainwaring	Case Officer (Strategy & Commissioning)
Becky Sanders	Case Officer (Strategy & Commissioning)

Also Present:

Derek Yeomans	Independent Member
Barrie Morris	Director, Grant Thornton
Beth Garner	Engagement Manager, Grant Thornton
Linda Vijeh	Guest

92. Minutes (Agenda Item 1)

The Minutes of the meeting from 22 October 2020 were approved as a correct record, and would be signed by the Chairman.

93. Apologies for absence (Agenda Item 2)

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

94. Declarations of Interest (Agenda Item 3)

There were no declarations of interest.

95. Public question time (Agenda Item 4)

A member of the public addressed the committee. She thanked the Director of Support Services for answering a number of queries relating to the accounts. She didn't have a question but made some comments, some of which included:

- SSDC was not registered as the entity at companies' house which has control of SSDC Opium.
- An accounting error in relation to SSDC Opium, which has now been corrected, was disappointing.
- The tables in the accounts within the Statement of Accounts document was unhelpful as did not describe areas of responsibility under which the expenditure falls.

96. Date of next meeting (Agenda Item 5)

Members noted that the next meeting of the Audit Committee was scheduled for 10am on Thursday 28th January 2021 via Zoom Virtual Meeting.

97. Annual Governance Statement 2019/2020 (Agenda Item 6)

The Section 151 Officer introduced the report. She explained the Annual Governance Statement was required by the Accounts and Audit Regulations of 2015. This report related to last year which is why it sits alongside the 19/20 Statement of Accounts. The AGS was an important statement for the council as it confirmed the importance of governance and that it was understood and adhered to.

She drew Members attention to several points in the statement, some of which included:

- Page 12, the diagram showed how all the controls knit together.
- Page 13 showed the areas of focus for 2019/20. The section on managing risk was very important to the council for maintaining good governance. It referenced the corporate risk register that was regularly reviewed by the leadership team and that steps were taken to mitigate risks where they couldn't always be eradicated.
- Section on Commercial Services and Investment. Transparency was important for the council in how risk was dealt with. This section showed how the risks were mitigated, how the council had delegated authorities and how the decision making process takes place.
- The internal auditor's opinion sat alongside the external audits opinion and the Council and the internal auditors worked together to ensure controls were working throughout the year.

In response to a question about the Digital Strategy, The Director, Support Services confirmed an update could be brought to the Audit Committee early in the New Year.

There were no further questions and it was proposed and seconded to approve the Annual Governance Statement 2019/20.

On being put to the vote, this was carried unanimously.

RESOLVED: That Audit Committee approved the 2019/20 Annual Governance Statement.

98. Audit Findings Report 2019/2020 (Agenda Item 7)

Barrie Morris (Director, Grant Thornton) explained that the audit report summarised the findings from the Audit of the 2019/20 accounts. He said that it was clear officers had worked hard to maintain services to residents and the finance team had responded well to the audit queries. He thanked the Finance team and the Audit team for their hard work over the past few weeks.

The remaining outstanding items were the signed letter of representation and the final approved statement of accounts. He confirmed there was no requirement to exercise their statutory responsibilities and that an unqualified value for money conclusion alongside an unqualified audit opinion on the financial statements would be issued.

The audit approach was set out with two different materiality thresholds. the first for the group accounts of £1.64m and the second for the council of £1.53m. Matters over £76,500 were reported, anything less was discussed with management but not reported.

It was identified during the audit that the council was required to produce group accounts. These were produced after the initial submission.

An addendum paper was issued to Members since the report was published to show a couple of issue that were identified.

Beth Garner (Manager, Grant Thornton) then presented the report and highlighted some key points of detail, some of which included:

- Pages 31-33 – Highlighted the risk in relation to Covid19. The pension fund work was complete as well as work in all other areas.
- There was an error in the value of land and buildings figure within the report, the correct figure was £42,911.
- Page 34 - A number of findings identified from the group audit as this was the first year this has been produced.
- Page 35 – IT deficiencies, there were no significant issues found.
- Page 40 – Assessment of the loan given to the subsidiary. Found that the treatment of this loan was correct and it was recommended to management to continue monitoring this so that its treated appropriately.
- Page 41- Not identified any material uncertainties in relation to the council's ability to continue as a going concern.
- Pages 51- 52 - Identified best practices. It was noted these were a low priority and not deficiencies in the council's work, but some management actions have been agreed.
- Page 53 – Recommendations identified in relation to the accounts. One of which identified that all subsidiaries of a group should be audited. It was therefore recommended to undertake this in future periods.
- Page 54 noted that management had followed up on prior year recommendations.
- Appendix C - The findings showed that the accounts are materially accurate.
- Page 57 was the paper circulated as an update to members after publication. The two items that were listed to be confirmed, have now been adjusted and all items have been appropriately amended.

Barrie Morris (Director, Grant Thornton) explained that the final fee was to be confirmed and agreed as there had been significant additional work undertaken this year. The

Section 151 Officer is in discussions with Grant Thornton regarding the proposal and an update paper will be brought to the next committee once concluded.

The S151 Officer thanked Grant Thornton for the extra hours and work they have done this year. The audit had been robust. The findings will be looked at and taken forward.

In response to questions raised, the Director – Support Services explained that in relation to the IT issue that was written in June, there is now the digital team in place where the System Admins function was a team of 2-3. The Security and Compliance Officer was looking at how the audit findings could be taken forward.

The Lead Specialist – Finance explained that an incorrect figure was used in relation to pooled funds. Grant Thornton spotted the error and this was then corrected.

The Chairman then read out the two recommendations, and Members were happy to note them both.

RESOLVED: That Audit Committee:

- a) considered the matters identified in the report, and noted the draft audit findings as outlined in the report;
- b) noted the opinion on the financial statements, opinion on other matters, and the conclusion regarding arrangements for securing economy, efficiency and effectiveness in the authority's use of resources, as stated in Appendix E

99. Statement of Accounts 2019/2020 (Agenda Item 8)

The Lead Specialist, Finance introduced the report that presented the 2019/20 Statement of Accounts to Audit Committee for approval. He explained that the pandemic had caused delays in the signing off of the accounts.

The report includes the outturn report, the reserves and the capital outturn report. He went through the individual core statements and explained the new one for this year was the group accounts. The only group account included in the figures was the Opium accounts as the other two were not material. In next year's accounts, all will be included. He then highlighted key points of detail within the report.

One Member commented on the use of brackets in the finance tables within the report and found it difficult to read. Other Members agreed with this.

In response to a question the Lead Specialist, Finance confirmed that property or pooled funds are not given ratings. Advice is regularly given by Treasury Management Advisors. He also clarified a query from a Member about variation on spend after carry forward.

The S151 Officer clarified part of the Statement of Accounts on page 157 in relation to the minority interest deficit. She also explained how the Council Tax Base is calculated based on a Band D equivalent and is also affected by single occupancy, and people in receipt of benefits where they pay reduced or no council tax.

Officers agreed to look at the statement of account for next year and how they can make them more readable for Members and the public.

Members confirmed they were happy to note the external auditors unqualified opinion on the financial statements.

It was then proposed and seconded to approve the statement of accounts which included the addendum that was circulated that morning to Members.

It was also proposed and seconded to authorise the S151 Officer and chair to sign the letter of representation.

On being put to the vote both recommendations were approved unanimously.

RESOLVED: That Audit members

- a) noted the external auditor's unqualified opinion on the financial statements;
- b) approved the 2019/20 Statement of Accounts (a copy of the Statement of Accounts has been circulated separately with this agenda)
- c) authorised that the S151 Officer and Chair of Audit Committee sign the Letter of Representation.

Reason To present the 2019/20 Statement of Accounts to Audit Committee for approval.

(Voting: Unanimous)

100. Audit Committee Forward Plan (Agenda Item 9)

Update on the Digital Strategy to be included in the Forward Plan for early 2021.

It was confirmed that Commercial Investments updates go through Scrutiny and then District Executive and so would not be needed to appear at Audit Committee.

Members noted the Forward Plan.

The Chairman thanked Officers and Members for their hard work through what has been extremely challenging year.

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Chairman