

South Somerset District Council

Minutes of a meeting of the **Audit Committee** held in the **Virtual Meeting using Zoom meeting software on Thursday 24 March 2022.**

(10.00 - 11.30 am)

Present:

Members: Councillor Martin Carnell (Chairman)

Robin Bastable
Mike Best

Mike Hewitson
Tim Kerley
Derek Yeomans (IM)



Officers

Jane Portman	Chief Executive
Karen Watling	Chief Finance Officer (S151 Officer)
Jill Byron	Monitoring Officer
Alastair Woodland	Assistant Director, SWAP
Paul Matravers	Lead Specialist (Finance)
Tayo Adejumo	Interim Finance Specialist: Closure (Support Services)
Michelle Mainwaring	Case Officer (Strategy & Support Services)
Becky Sanders	Case Officer (Strategy & Support Services)

Also Present:

Barrie Morris	Key Audit Partner, Grant Thornton
Beth Garner	Manager, Grant Thornton

57. Minutes (Agenda Item 1)

The minutes of the meeting from 16th February were approved as a correct record, and would be signed by the Chairman.

58. Apologies for absence (Agenda Item 2)

Apologies for absence were received from Councillors Dave Bulmer, Brian Hamilton, Colin Winder, Malcolm Cavill and Paul Maxwell.

59. Declarations of Interest (Agenda Item 3)

There were no declarations of interest.

60. Public question time (Agenda Item 4)

There were no members of the public present.

61. Date of next meeting (Agenda Item 5)

Members noted that the next meeting of the Audit Committee was scheduled for 3.00pm on Monday 9th May 2022 at Brympton Way.

62. Interim Audit Findings Report 2020/21 (Agenda Item 6)

The Key Audit Partner, Grant Thornton introduced the Interim Audit Findings report. The Audit had been planned to start in June 2021, but Grant Thornton were unable to progress this as the draft accounts were not fully available. Work was restarted again in October but they had still experienced significant challenges. There was still work outstanding on a large number of areas and they were not in a position to conclude the audit at this time.

He explained that the work on the Value for Money arrangements had not yet commenced and that some further areas of potential significant weakness had been identified.

He expressed his disappointment at the level of professional conduct they had had experience with some officers. This had led to some significant delays in undertaking the audit and resulted in having to escalate issues to the senior management team and the Chief Executive. He acknowledged that appropriate actions had since been taken.

The Manager, Grant Thornton then proceeded to highlight further key areas of the report, some of which included;

- Materiality thresholds were very similar to previous periods.
- Findings from the work on significant risks, scoping of the group audit and Covid grants.
- Challenges on some minimum revenue provision (MRP) calculations
- Under other responsibilities, queries with the Annual Governance Statement (AGS) and why there was no reference to the investigation of a previous Director.
- No significant findings on independence and ethics
- SSDC requested in January that all the Housing benefit claim work be undertaken by Grant Thornton and so the fee and resource planning had needed to be revisited. This work was about to commence.
- The Action Plan had identified 5 different control recommendations
- There had been only partial implementation of the previous period' recommended actions.
- Details of audit adjustments that had been identified were explained.

The Key Audit Partner, Grant Thornton acknowledged the finance team had been dealing with conflicting priorities, (both budget preparation and LGR work), and that mitigating actions to improve capacity within the team had been put into place to allow the audit to move forward. He explained that there would be a significant increase in the planned fees as a result of the additional work, and they would be seeking a meeting with Public Sector Audit Appointments (PSAA) to discuss the scale of the fee changes.

During discussion, all members expressed their disappointment and concern about the issues raised in the report regarding the audit process. In response to questions raised, the Key Audit Partner, Grant Thornton gave some of the following responses;

- There had been significant capacity constraints and changes within the finance team. The Council had taken action to bring in temporary recourse to backfill losses to the team but he felt this perhaps could have been done sooner.
- Regulators of the Auditors expected the highest quality of audit and the greater scrutiny of the auditors may not have been something that officers had been familiar with. This may have impacted on the relationship between auditors and officers.
- The Chief Executive and Monitoring Officer fully supported Grant Thornton when issues were escalated and improvements have been made.
- The auditor acknowledged that he had not made the Chair or Vice Chair of the Audit Committee aware of the situation and that a progress report could have been brought to the Audit Committee earlier, but stated that correct escalation procedures had been followed with senior management and appropriate action taken.
- There were deficiencies in the quality of the records being kept, but no evidence of any deliberate manipulation or fraudulent attempts to manipulate the accounts were found.

The Chief Executive informed members that she had apologised to the Key Audit Partner, Manager and the wider team of Grant Thornton for the behaviour of a small number of officers. This had been disappointing and regretful. Steps had been taken to ensure this did not happen again in the future.

The Chief Finance Officer (CFO) explained that she would be setting out a communications and working relationship protocol for all officers across the organisation involved in providing information to the external auditors. There would also be mandatory standards established for working papers that are produced and given to the auditors. She reassured the committee that there was now a full team in place and that, due to interim arrangements having been put into place, the core finance team were protected from the need to undertake work on the LGR programme at the same time as preparing the 2021/22 statement of accounts

The Chair of the Audit Committee requested that a management report be submitted to the next meeting of Audit Committee, to provide a detailed response to members about the issues and difficulties experienced during the audit process raised in the Interim Audit Findings Report. The Chief Finance Officer confirmed that a report to the next meeting was achievable.

At the end of discussion the majority of members noted the report.

RESOLVED: That Audit Committee considered and noted the following:

- the matters identified in the Interim Audit Findings Report 2020/21
- the draft audit findings as outlined in the report and the next steps.

63. Internal Audit Plan 2022-2023 and Charter (Agenda Item 7)

The Assistant Director, (SWAP) introduced the report that asked members to approve the 2022/23 Audit Plan and the Internal Audit Charter. He reminded members that the internal audit plan does not provide assurance or coverage across the whole authority, but was risk based and focussed on key outcomes.

Risks around Local Government Reform (LGR) had played a significant role in planning activity. The interim findings report would also be reviewed to see how that might influence further work throughout the year. He continued to highlight key points within the report and explained to members that this was a rolling audit plan and would be looking at priorities on a quarterly basis. The plan would be discussed regularly with management and welcomed input from members.

There were no changes to the 2022/23 Internal Audit Charter from previous years.

During questions from members, the Assistant Director (SWAP) gave the following responses;

- The Opium work planned for Q4 of this year and work was in progress.
- The remit of internal audit was much wider than just finance. The internal audit would also aim to not duplicate work that the external audit had to do independently.
- The Audit Findings Report from Grant Thornton will be reviewed to see if any additional work may be needed from the internal audit.

The CFO responded to a query about the role of project managers in relation to the capital programme and would consult with senior management before coming back to Audit with a full response.

There were no further questions and it was proposed and seconded to approve both the internal audit plan and the Internal Audit Charter. This was approved unanimously.

RESOLVED

That Audit members recommend the Chief Executive;

1. approve the Internal Audit Plan 2022-23 (Appendix A and B)
2. approve the Internal Audit Charter (Appendix C)

(Voting: Unanimous)

64. Accounting Policies for the 2021/22 Statement of Accounts (Agenda Item 8)

The Lead Specialist, Finance introduced the report that presented the accounting policies that will be applied to the statement of accounts for 2021/22. There was one proposed change to the policies in respect to the de-minimis accrual amount which would change from £2000 to £500. He explained the reasons why the change was being proposed.

The Interim Finance Specialist: Closure introduced himself and explained that he would be coordinating the production of 2021/22 Statement of Accounts.

The Lead Specialist, Finance responded to questions raised by members relating to;

- The impact of reducing the de-minimis level
- Invoice processes existed to ensure legitimacy
- Confirmed that reducing the figure was reducing the risk
- A question relating to the number of invoices authorised by certain officers would be provided at the next meeting.

There were no further queries and the audit committee proposed and seconded to consent to the proposed change to the de-minimis accrual amount and was approved unanimously.

RESOLVED

That Audit Committee recommends the Chief Executive;

consent to the proposed change in respect of the de-minimis accrual amount in the accounting policies that will be applied to the 2021/22 statement of accounts.

(Voting Unanimous)

65. Audit Committee Forward Plan (Agenda Item 9)

The Audit Committee noted the Forward Plan with the addition of;

1. Management Response to the Interim Findings report for 9th May 22.

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Chairman