

South Somerset District Council

Minutes of a meeting of the **Audit Committee** held as a **Virtual Meeting using Zoom meeting software on Thursday 28 July 2022.**

(10.00 am - 10.50 am)

Present:

Members: Councillor Mike Hewitson (Chairman)

Robin Bastable
Mike Best
Dave Bulmer
Brian Hamilton

Andy Kendall
Paul Maxwell
Colin Winder
Derek Yeomans (IM)



Officers

Jane Portman
Jill Byron
Paul Matravers
Brendan Downes
Brian Thompson
Angela Cox
Becky Sanders

Chief Executive
Monitoring Officer
Lead Specialist (Finance)
Lead Specialist Procurement, Performance and Change
Senior Project Accountant
Specialist (Democratic Services)
Case Officer (Strategy & Support Services)

Also Present:

Barrie Morris
Beth Garner

Key Audit Partner (Grant Thornton)
Manager (Grant Thornton)

26. Minutes (Agenda Item 1)

The minutes of the meeting from 30 June 22 were approved as a correct record, and would be signed by the Chairman.

27. Apologies for Absence (Agenda Item 2)

An apology for absence was received from Councillor Tim Kerley.

28. Declarations of Interest (Agenda Item 3)

There were no declarations of interest.

29. Public Question Time (Agenda Item 4)

There were no members of the public present at the meeting.

30. Date of Next Meeting (Agenda Item 5)

Members noted a Special Meeting of the Audit Committee had been arranged for 10.00am on Friday 2 September 2022 in the Council Chamber, Brympton Way, Yeovil.

The next scheduled meeting would then be 10.00am on Thursday 22 September 2022 in the Council Chamber, Brympton Way, Yeovil.

31. Briefing on Progress on Preparing the 2021/22 Statement of Accounts & Update on 2020/21 Audit of Accounts (Agenda Item 6)

The Key Audit Partner (Grant Thornton) provided members with a brief verbal update on progress regarding the 2020/2021 Audit of Accounts. He acknowledged everyone had hoped the Audit would have concluded, however, there were still two areas where work was ongoing. He explained that much of the work had been completed but there were two key areas outstanding relating to:

- Property, Plant and Equipment (PPE) - issue has been reported previously. The Council had now provided Grant Thornton with detailed calculations of how the valuations have been formed, and that information has been passed to Grant Thornton's experts to review due to the complex nature. This had led to a number of further queries which SSDC management are working through with the Grant Thornton experts - some of the queries were quite detailed and technical. Once the responses are received, they would need to be reviewed, which may lead to further queries which will need to be addressed.
- Final set of accounts for 2020/2021 - Grant Thornton has received an updated version of the accounts, however some of the adjustments and figures have changed in ways that weren't expected. Grant Thornton were awaiting a response from SSDC management to explain the changes made. Regarding the changes that weren't expected - they would need to be reviewed to check still appropriate.

In response to the update from Grant Thornton, the Lead Specialist (Finance) provided a brief update from the SSDC perspective. He explained that 19 queries had been raised by the Grant Thornton valuation team - some could be directly answered by the SSDC Finance team, however other responses required some additional work with external partners that SSDC are working with. It was hoped responses would be provided to Grant Thornton within the coming week.

During discussion, the Key Audit Partner responded to points of detail, including:

- the audit process is undertaken on the draft financial statements. Expected adjustments are identified based on what has been identified as errors throughout the year, and that is then reported to Audit Committee as part of the Audit Findings report.
- Currently, the information had been shared with management and, as explained, a revised set of statements has been received by Grant Thornton (GT) which included some changes that weren't in line with GT expectations, so at the moment it was unusual. Therefore GT have had to go back to management to seek an explanation for the changes. The Lead Specialist (Finance) had now provided verbal assurance that all the changes could be explained and a reconciliation can be provided. However, the Lead Specialist (Finance) has also stated the information needs to be finalised and formally returned to GT.

The Lead Specialist (Finance) then provided a brief progress update regarding the preparation of the 2021/2022 Statement of Accounts. He reminded members that the deadline for publication of the Statement of Accounts was 31 July 2022, and noted the team were in the very final stages of producing the draft statement. The work would be completed by the end of the week with the intention to publish the Statement of Accounts on the website by the end of Friday 29 July, so all was on schedule.

The Chairman thanked the officers from Grant Thornton for attending the meeting and providing their update.

32. Risk Management Update Q1 2022/23 (Agenda Item 7)

The Lead Specialist (Procurement, Performance & Change) presented his report which informed the Audit Committee of the status of the Strategic and Corporate Risk Register as at the end of Quarter 1 for 2022/2023. He explained there had been a move to a new framework and reporting following a fundamental review of all the risks, and he welcomed the views of members as to what they may wish to see going forward in future reporting. Key elements of the report were highlighted and some items explained in a little more detail, including:

- The report shown in the agenda had been filtered to show a summary of active risks for Strategic risks and Corporate risks only. There were approximately another 170 risks relating to projects.
- Information about inherent and residual risk scores.
- Risk movements in comparison to the previous reporting period.
- Control measures were not shown in the report, or any actions or mitigations that have been put in place to reduce residual risk

During discussion, the Lead Specialist (Procurement, Performance & Change), and the Chief Executive Officer responded to points of detail raised by members, and some of their comments included:

- The transition to a unitary authority was an opportunity to improve SSDC practice in some areas, and also to inform the design for the new authority.
- Red areas within the reports wasn't necessarily a bad thing. Red indicated the risk was recognised and mitigating controls were being put in place to reduce the risk.
- Health and Safety associated risks would usually always be indicated as a red risk.
- In terms of staff capacity regarding business as usual and work on Local Government Re-organisation (LGR) - the authority was feeling the strain in terms of the amount of work to be done. Many staff were doing their day job and in addition were making their contributions to the LGR program - so there are additional calls on officer time. To address this, additional capacity had been put into the organisation where possible. Members were reminded that earlier in the year that full Council had agreed an LGR Contingency Fund of £1million in order to backfill or provide capacity to mitigate some of the stresses and strains across the authority, and some examples were provided.
- Regarding a specific query raised about finances relating to Wincanton regeneration - officers noted the query and would liaise with the member for more detail outside of the meeting.
- Specific financial details would not usually be included in the risk register, however, risk scoring for financial exposure would be.

- Regarding a figure for FIN-06 - management of commercial investments - on page 20 of the agenda - the April score of '1' had been an error in previous reporting.

Members made some suggestions as to additional information which would be useful, and of interest, to see in future reporting:

- provide a brief overview of some of the actions taken to lower scores for individual risks to help explain the changes in risk scoring.
- Some sort of key for financial risks may be helpful.
- Members don't have much oversight of the commercial portfolio as it's handled by the Investment Assessment Group (IAG). Some clarity regarding the oversight arrangements would be useful, to see if they could be strengthened and to see if anything can be done to mitigate risks. Members acknowledged such a report would not be about specific financial details as that was reported elsewhere.

In response to the suggestion about the oversight arrangements for the commercial portfolio, the Monitoring Officer noted she would do a briefing note and circulate to members to explain what the risks were, what steps were in place to manage the portfolio, and the process for decision making.

Members were content to note the SSDC Strategic & Corporate Risk Profile for Quarter 1. The Chairman thanked the Lead Specialist for his informative report, and members thanked all officers for the work being done.

- RESOLVED:**
1. That Audit Committee noted the SSDC Strategic & Corporate Risk profile as close of Q1 2022/2023.
 2. That Audit Committee advised what level of detail on individual risks they required in future reports.

33. **Audit Committee Forward Plan (Agenda Item 8)**

The Chairman informed members that the Housing Benefits Certificate of Claims report would be moved to the late September meeting. There being no further updates to report, members were content to note the Audit Committee Forward Plan.

Prior to close of the meeting, the Lead Specialist (Finance) introduced Brian Thompson (Senior Project Accountant) who had started with SSDC to provide some short-term specialist support. Mr Thompson provided members with a brief overview of his background and experience.

- RESOLVED:** That the Audit Committee Forward Plan be noted subject to the following update:
- Housing Benefits Certificate of Claims report - moved to 22 September

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Chairman