

South Somerset District Council

Draft Minutes of a meeting of the **Audit Committee** held in the **Virtual Meeting using Zoom meeting software on Thursday 30 June 2022.**

(10.00 - 10.55 am)

Present:

Members: Mike Hewitson (in the Chair)

Mike Hewitson	Tim Kerley
Mike Best	Colin Winder
Dave Bulmer	Tony Lock
Brian Hamilton	Derek Yeomans (IM)



Officers

Karen Watling	Chief Finance Officer (S151 Officer)
Jill Byron	Monitoring Officer
Alastair Woodland	Assistant Director, SWAP
Michelle Mainwaring	Case Officer (Strategy & Support Services)
Becky Sanders	Case Officer (Strategy & Support Services)

15. Minutes (Agenda Item 1)

The minutes of the meeting from 26th May 2022 were approved as a correct record and would be signed by the Chairman.

16. Apologies for absence (Agenda Item 2)

Apologies for absence were received from Councillors Martin Carnell and Robin Bastable.

17. Declarations of Interest (Agenda Item 3)

There were no declarations of interest.

18. Public question time (Agenda Item 4)

A member of the public addressed the committee to express concerns about the way the Audit Committee conducted its business and also the delays in the 2020/21 audit process caused by insufficient evidence particularly in relation to the investments. She had previously made suggestions to add clarity to the accounts in 2020 but didn't believe these issues were addressed by the audit committee. She felt there was no evidence the chairman and audit committee members kept in touch with the key people involved outside of the audit meetings. CIPFA guidance referred to audit committee having two co-opted independent members to provide appropriate technical expertise to the committee, but she did not see any such members in the composition of the

committee. She also questioned why the investment committee did not keep on top of the SSDC Opium Power valuation.

The Chairman thanked the public speaker for her comments. He confirmed that the scrutiny chair and audit chair had begun to have a closer working relationship and had already taken on board the concerns that had been raised previously.

He explained that a written response from officers would be given regarding the specifics around questions raised in 2019.

He explained that the audit committee now had a much clearer picture of reasons why there had been delays to the audit and recognised that this was not solely an SSDC issue as many local authority accounts across the country had delays to the audit process.

He explained that the external auditor had apologised to the chair and vice chair for the way the information had been put across and for not keeping the committee updated with concerns in respect to the audit process. As a result there was now regular meetings with the auditors without officer in attendance to help prevent and recurrence of those behaviours from the 2020/21 audit cycle.

He reaffirmed that a written response from officers would be given but hoped that his response gave some assurances that concerns raised were being heard and that they were acting accordingly.

19. Date of next meeting (Agenda Item 5)

Members noted that the next meeting of the Audit Committee was scheduled for 10.00am on Thursday 28th July 2022.

20. 2021/22 Internal Audit Annual Opinion Report (Agenda Item 6)

The Assistant Director, (SWAP) introduced the Internal Annual Opinion Report 2021-22 which was required to provide an opinion from the auditors on how well governance, risk and internal controls worked across the authority in 2021/22.

He highlighted the following key points in the report:

- 'at a glance' view of the opinion showed a reasonable audit opinion from work across the year
- There were no critical related risks identified.
- Overview of where work had fallen in relation to the SSDC risk register and the strategic and high-level corporate risks.
- An annual self-assessment was completed to confirm that SWAP were still in conformance with Public Sector Internal Auditing Standards and that there were no areas of non-conformance to report.
- There had been disruption to the plan due to the Lufton investigation therefore some audits were removed from 2021/22.
- Two reviews were still in progress and once concluded any findings would be brought to the committee.

The Chairman informed members that a report from officers regarding SSDC Opium Power would be presented at September's Audit once the SWAP audit was completed.

In response to concerns raised by a member regarding SSDC Opium Power, The Chief Finance Officer clarified that the report in September would contain a detailed look at the

financial summary of the company's position and its forward future outlook as well as the financial impact of the company on the council's revenue and capital budgets. This report would sit alongside the Auditors findings report.

One member queried the length of time it took for the crematorium annual accounts to be sent out to other partners. The Chief Finance Officer explained that the officer doing the accounts had been new to the task and had been dealing with 2020/21 external auditors queries.

In response to a query on the limited assurance for Council Tax and NNDR the Assistant Director (SWAP) explained that all the details had been included in the Internal Audit report to May's Audit Committee and any further questions members had on that, he would be happy to answer.

There was a query on the progress of the recommendations made regarding the Lufton investigation. The Assistant Director (SWAP) assured members that management were moving the recommendations forward. A follow up audit was being conducted in Q2 and an update could be given after that.

The CFO confirmed that the Chief Executive and Director of Support, Strategy and Environment Services would be bringing an update to members for January 2023.

There were no further questions and members were content to note the report.

21. 2021/22 Treasury Management Performance Outturn Report (Agenda Item 7)

The Chief Finance Officer presented the Treasury Management Performance report that was a statutory report for Audit committee to review and to recommend to Full Council for agreement.

The key points highlighted from the report included;

- Full Council had agreed to cease any new commercial investments, this was in line with the prudential code from CIPFA in 2021.
- The table in paragraph 17 of the report showed an increase in short-term borrowing which was a function of the capital expenditure program. Most of the borrowing was peer to peer borrowing.
- The total investments increased and made a small budget surplus. There was an error in paragraph 44 of the report. There was a small surplus of £31,720 not the amount showing in report. This would be amended.
- Pooled investments shown in paragraphs 26 and 27 of the report performed well in 2021/22 and the value of those investments had marginally increased.

One member felt that some of the tables in the report weren't very clear to understand. Some of the acronyms in the report could have been explained earlier on in the document to help with understanding.

In response to questions raised the Chief Finance Officer clarified the following;

- Relating to paragraph 18 of the report, a full report was taken to full council in February not March – this would be corrected. The forecast of borrowing in the report to Full Council was lower than the outturn and was likely to be a cause of increased expenditure on the capital programme but would be able to give a full written response to give the details.

- Any decision to borrow to cover any existing debt to reduce exposure to interest rate rises would need to be in collaboration with the other Section 151 officers in Somerset and with the approval of the County Councils executive.

The Chairman acknowledged some concerns with the impact of rising interest rates and suggested more detail be brought to the committee in September.

Members had no other questions and were content to note the report. It was proposed and seconded to recommend the report to Full Council with the amendments as mentioned by the Chief Executive and approved unanimously.

RESOLVED:

That Audit Committee:

- Noted the Treasury Management Activity for the 2021/22 financial year;
- Noted the position of the individual prudential indicators for the 2021/22 financial year;
- Noted the outlook for the investment performance in 2021/22;
- Noted the Council operated within all of the Prudential Indicators during 2021/22;
- Recommended the 2021/22 Treasury Management Activity Report to full Council.

REASON

To review the treasury management activity and the performance against the Prudential Indicators for the 2021/22 financial year as prescribed by the CIPFA Code of Practice and in accordance with the Council's Treasury Strategy, Annual Investment Policy and Treasury Management Practices.

22. Annual Whistleblowing Update 2021/22 (Agenda Item 8)

The Monitoring Officer presented the report that gave an overview of the Whistleblowing Policy and explained the report gave assurance to members that there was a process for raising concerns. Concerns that had been raised in year were being addressed. There were not any comparative statistics as not every authority completed this type of report.

In response to a query about one of the disclosures, the Monitoring Officer confirmed that it was not a particular concern but if there were any key concerns once the investigation was concluded they would be brought to the committee's attention.

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

23. Annual review of Treasury Management Practices for 2022-23 (Agenda Item 9)

The Chief Finance Officer presented the report that set out the responsibilities of members and officers on the reporting and management of the treasury management activity. It had been updated slightly from last year to reflect the revised code of practice, particularly the Non treasury management activity and also included changes to the revised code for knowledge and skills required. The changes proposed were highlighted in yellow in the report.

She asked the committee if they would be interested in having a treasury management refresh training session and they confirmed they would.

One member asked if the document would tie in with the other councils we would be merging with. The Chief Finance Officer confirmed that this was very regulated and there was best practice guidance from CIPFA. She wouldn't expect many deviances when it came to merging. The County Council would adopt practices relating to non-treasury management investment as they didn't have those.

There were no other questions and members approved the treasury management practices.

RESOLVED:

That Audit Committee recommended that the Chief Executive

- Approve the Treasury Management practices;
- Note that an update will be provided on the revised requirements of the IMP1 introduced in the revised Treasury management code of practice.

24. Proposed changes to Financial Procedures Rules for 2022-23 (Agenda Item 10)

The Chief Finance Officer presented the report that updated the financial procedure rules from 2018 primarily because of Local Government Reorganisation and the impact of the Section 24. There was also an internal report recommending that changes were made to the virement section of the existing rules as it was not clear who was taking decisions on budget virements.

The procedure had been made more relevant for the last remaining months of SSDC.

The Chairman expressed a view that the procedure rules had been updated since 2018 and were update in 2020. He asked if we were working from the most up to date set of rules.

The Chief Finance Officer confirmed they were the most up to date regulations and would check when they were last updated.

There were no other questions and members agreed to approve the proposed changes to the financial procedure rules.

RESOLVED:

That Audit Committee recommended that Council approve the proposed changes to the Financial Procedure Rules for the rest of the financial year 2022/23.

25. Audit Committee Forward Plan (Agenda Item 11)

The Chairman highlighted some changes to the forward plan since the meeting in May. These included;

- informing the audit risk assessment moved to July 22
- SSDC opium power briefing added to Sept 22

- Update on environment services & corporate governance added January 23

Members were happy to note the Forward Plan.

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Chairman