

## SWT Audit and Governance Committee

Monday, 26th July, 2021,  
6.15 pm

The logo for Somerset West and Taunton, featuring the text "Somerset West and Taunton" in white on a teal background with a white swoosh at the bottom right.

The John Meikle Room - The Deane  
House

[SWT MEETING WEBCAST LINK](#)

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**Members:** Lee Baker (Chair), Ed Firmin (Vice-Chair), Simon Coles, Hugh Davies, Dawn Johnson, Janet Lloyd, Andy Milne, Martin Peters, Steven Pugsley, Terry Venner and Sarah Wakefield

### Agenda

**1. Apologies**

To receive any apologies for absence.

**2. Minutes of the previous meeting of the Audit and Governance Committee held on 14 June 2021.**

To approve the minutes of the previous meeting of the Committee.

**3. Declarations of Interest**

To receive and note any declarations of disclosable pecuniary or prejudicial or personal interests in respect of any matters included on the agenda for consideration at this meeting.

(The personal interests of Councillors and Clerks of Somerset County Council, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes.)

**4. Public Participation**

The Chair to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public who have submitted any questions or statements, please note, a three minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue.

**Temporary measures during the Coronavirus Pandemic**

(Pages 5 - 12)

Due to the temporary legislation (within the Coronavirus Act 2020, which allowed for use of virtual meetings) coming to an end on 6 May 2021, the council's committee meetings will now take place in the office buildings within the John Meikle Meeting Room at the Deane House, Belvedere Road, Taunton. Unfortunately due to capacity requirements, the Chamber at West Somerset House is not able to be used at this current moment.

Following the Government guidance on measures to reduce the transmission of coronavirus (COVID-19), the council meeting rooms will have very limited capacity. With this in mind, we will only be allowing those members of the public who have registered to speak to attend the meetings in person in the office buildings, if they wish (we will still be offering to those members of the public that are not comfortable in attending, for their statements to be read out by a Governance and Democracy Case Manager). Please can we urge all members of the public who are only interested in listening to the debate to view our live webcasts from the safety of their own home to help prevent the transmission of coronavirus (COVID-19).

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|--|------------------|
| <b>5. Audit and Governance Committee Forward Plan</b><br>To receive items and review the Forward Plan. | (Pages 13 - 14)  |
| <b>6. External Audit Report on Objection to TDBC 2018/19 Accounts</b>                                  | (Pages 15 - 28)  |
| <b>7. External Audit Progress Report and Sector Update</b>   | (Pages 29 - 44)  |
| <b>8. External Auditor Risk Assessment 2020/21 - ISA240 Inquiries of Management</b>                    | (Pages 45 - 74)  |
| <b>9. Annual Governance Statement 2020/21</b>  | (Pages 75 - 114) |



**JAMES HASSETT**  
**CHIEF EXECUTIVE**

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Following Government guidance on measures to reduce the transmission of coronavirus (COVID-19), we will be live webcasting our committee meetings and you are welcome to view and listen to the discussion. The link to each webcast will be available on the meeting webpage, but you can also access them on the [Somerset West and Taunton webcasting website](#).

If you would like to ask a question or speak at a meeting, you will need to submit your request to a member of the Governance Team in advance of the meeting. You can request to speak at a Council meeting by emailing your full name, the agenda item and your question to the Governance Team using [governance@somersetwestandtaunton.gov.uk](mailto:governance@somersetwestandtaunton.gov.uk)

Any requests need to be received by 4pm on the day that provides 2 clear working days before the meeting (excluding the day of the meeting itself). For example, if the meeting is due to take place on a Tuesday, requests need to be received by 4pm on the Thursday prior to the meeting.

The Governance and Democracy Case Manager will take the details of your question or speech and will distribute them to the Committee prior to the meeting. The Chair will then invite you to speak at the beginning of the meeting under the agenda item Public Question Time, but speaking is limited to three minutes per person in an overall period of 15 minutes and you can only speak to the Committee once. If there are a group of people attending to speak about a particular item then a representative should be chosen to speak on behalf of the group.

Please see below for Temporary Measures during Coronavirus Pandemic and the changes we are making to public participation:-

Due to the temporary legislation (within the Coronavirus Act 2020, which allowed for use of virtual meetings) coming to an end on 6 May 2021, the council's committee meetings will now take place in the office buildings within the John Meikle Meeting Room at the Deane House, Belvedere Road, Taunton. Unfortunately due to capacity requirements, the Chamber at West Somerset House is not able to be used at this current moment.

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For further information about the meeting, please contact the Governance and Democracy Team via email: [governance@somersetwestandtaunton.gov.uk](mailto:governance@somersetwestandtaunton.gov.uk)

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**SWT Audit and Governance Committee - 14 June 2021**

Present: Councillor

Councillors Lee Baker, Simon Coles, Hugh Davies, Ed Firmin, Dawn Johnson, Janet Lloyd, Steven Pugsley, Sarah Wakefield and Loretta Whetlor

Officers: Andrew Randell, Alastair Woodland, Emily Collacott, Steve Plenty, Malcolm Riches and Richard Sealy

(The meeting commenced at 6.15 pm)

1. **Election of Chair**

Cllr Lee baker was appointed as Chairman, proposed by Councillor Cole and seconded by Councillor Firmin.

2. **Election of Vice-Chair**

Councillor Firmin was elected as Vice-Chair, proposed by Councillor Coles and seconded by Councillor Pugsley.

The chair welcomed new members of the committee.

3. **Apologies**

Apologies were received from Councillor Venner

Councillor Whetlor attended as a substitute.

4. **Minutes of the previous meeting of the Audit and Governance and Standards Committee held on 12 April 2021**

(Minutes of the meeting of the Audit and Governance Committee held on 12 April circulated with the agenda)

**Resolved** that the minutes of the Audit and Governance Committee held on 12 April be confirmed as a correct record.

5. **Declarations of Interest**

Members present at the meeting declared the following personal interests in their capacity as a Councillor or Clerk of a County, Town or Parish Council or any other Local Authority:-

Name	Minute No.	Description of	Reason	Action Taken
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		Interest		
Cllr L Baker	All Items	Cheddon Fitzpaine & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr S Coles	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr H Davies	All Items	SCC	Personal	Spoke and Voted
Cllr J Lloyd	All Items	Wellington & Sampford Arundel	Personal	Spoke and Voted
Cllr A Milne	All Items	Porlock	Personal	Spoke and Voted
Cllr M Peters	All Items	Taunton Charter Trustee	Personal	Spoke and Voted
Cllr T Venner	All Items	Minehead	Personal	Spoke and Voted

## 6. **Public Participation**

There was no public participation.

## 7. **Audit and Governance Committee Forward Plan**

(Copy of the Audit and Governance Committee Forward Plan, circulated with the agenda).

Councillors were reminded that if they had an item they wanted to add to the agenda, that they should send their requests to the Governance Team.

**Resolved** that the Audit and Governance Committee Forward Plan be noted.

## 8. **SWAP Internal Audit - Outturn Report 2020-21**

The SWAP Assistant Directors introduced the report and provided an update on Cyber security work undertaken

The Internal Audit function plays a central role in corporate governance by providing assurance to the Audit, Governance and Standards Committee, looking over financial controls and checking on the probity of the organisation.

The 2020-21 Annual Internal Audit Plan is to provide independent and objective assurance on SWT Internal Control Environment. This work will support the Annual Governance Statement.

The report summarised the work of the Council's Internal Audit Service and provided:-

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in March 2021.

- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.

The Internal Audit Outturn Report for 2020-21 was contained within the attached SWAP Unrestricted Report.

During the debate the following comments and questions were raised:-

- Risks around sending emails to personal email addresses were considered.
- This was dependant on what the content of the emails and personal responsibility of the data which is sent.
- Awareness of content being circulated and using secure emails was a key part of security awareness training for Officers and Councillors.
- Recognising scam emails from local authorities was discussed.
- DLO external work and income recovery detailed on page 34 was considered. More information was requested in relation to this and how this would be dealt with. Progress against recommendations would be reported to follow up on risks.
- Different types of cyber-attacks were considered and the risks to the organisation as a result.
- Issues in relation to disaster capability and back up had been highlighted by Audit and in the Governance review. Work was ongoing with ICT and their capabilities in addressing this.
- Debtors review for 2019-20 set out on page 36 highlighted control weaknesses and action had been taken in this area. Billing invoicing arrangements were now considered more robust across all areas.
- The 2021/22 audit plan included other reviews, some were not to be conducted until the end of the year due to Covid-19. This included a report in relation to transformation benefits across the authority. It was requested that the committee were informed if this was likely to be considered after September.
- It was questioned if there should be concerns in relation to advisories.
- There would be a benchmarking review across all partners.
- The Audit Committee needed to be confident on security measures around cyber-attacks. The audit plan had changed due to an increase of advisory work as a result of the Covid-19 pandemic.
- The security risk of discussing confidential information on Zoom was discussed.
- A cyber security session could be offered by SWAP which would complement the work of the governance review well.
- Proposed by Coles and seconded by Lloyd:-
- Resolved that the press and the public be excluded from the meeting for the end the debate of item 8 as the items contained exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.
- A brief discussion took place in relation to Audit plan activities that were still outstanding and therefore could not be discussed at a public meeting.

The Committee noted progress made in delivery of the 2020-21 internal audit plan and significant findings since the previous update in March 2021.

## 9. **SWAP Internal Audit - Annual Opinion Report 2020/21**

The Internal Audit function played a central role in corporate governance by providing assurance to the Annual Audit, Governance and Standards Committee, looking over financial controls and checking on the probity of the organisation.

The 2020-21 Annual Audit Plan provided independent and objective assurance on SWT Internal Control Environment. This work supported the Annual Governance Statement.

The report summarises the work of the Council's Internal Audit Service and provided:-

- A summary of the key risks that were identified during the 2020-21 financial year.
- A schedule of audits completed during the period, detailing their respective assurance opinion rating, the number of recommendations and the respective priority rankings of these.

The Audit Opinion for 2020/21 was contained within the SWAP Internal Audit Annual Opinion Report.

During the debate the following comments and questions were raised:-

- Page 58 set out special review, more details were requested on these reviews. Reassurance was given that more information would be circulated to the committee as reviews were finalised.
- DLO external work income was reported in December
- The committee thanked the audit partnership for their improvement and noted more information to come in relation to ongoing reviews.

The Committee noted the Annual Opinion on the effectiveness of the internal control environment in the delivery of SWT objectives.

## 10. **Treasury Management Outturn Report 2020/21**

The purpose of the report was to provide members with an update on the Treasury Management activity of Somerset West and Taunton Council and performance against the Prudential Indicators for 2020/21.

The Treasury management performance during the year reflected the agreed strategy for the Council.

The Council's treasury management strategy for 2020/21 was approved at Full Council on 19 February 2020. The Council invested substantial sums of money and was therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remained central to the Council's treasury management strategy.

Treasury risk management at the Council was conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which required the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a half-year and annual treasury outturn report. This report fulfilled the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

These reports were required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

The 2017 Prudential Code includes a requirement for local Councils to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's latest Capital Strategy, complying with CIPFA's requirement, was approved by Somerset West and Taunton Full Council on 30th March 2021.

Treasury management is defined as:

"The management of the local Council's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".

Overall responsibility for treasury management remains with the Council with operational responsibility delegated to the S151 Officer. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

Commentary relating to the external context and economic analysis by Arlingclose, the Council's treasury management advisors, can be found in Appendix A to this report.

During the debate the following comments and questions were raised:-

- The consequences of the limits being exceeded by Arlingclose meant the risks were greater in investments held in money market funds.
- There was also the risk that investments could encounter negative interest rates or next to no interest.
- The committee were conscious of the risk elements involved and aware of the movements in the market.
- It was questioned if the PWLB £105 million loans from the HRA was included in the loans? These were the longer term dated loans. The PWLB included HRA accounts.
- It was questioned how the Council had responded to volatility and how this would continue to be addressed in the coming year. Regular updates were received to keep officers updated on the risk around Council investments.
- Controls were in place to ensure future compliance so that limits on investments would not be exceeded.
- Cashflow was monitored on a daily basis to ensure the best arrangement is achieved for cashflow purposes.
- Borrowing could be undertaken for the purposes of lending to other parties, this could also be undertaken by the use of reserves if the Council preferred to use surplus funds for this.

The committee noted the Treasury Management activity for the 2020/21 financial year and compliance with the Prudential Indicators.

## 11. **Corporate Risk Management Process Update**

The purpose of this paper is to provide an update on the risk management process within the council.

The Audit, Standards and Governance Committee agreed the councils updated Risk and Opportunity Management Strategy on 1st February 2021. The Strategy set out that a quarterly report on risks and issues will be presented to both Scrutiny and Executive. A

report was presented to both committees in June providing a list of the current risks and issues for the council. The full report is available at the end of this paper.

As the report to Scrutiny and the Executive was the first report, it was a stand-alone item, and provided an update on all the risks and issues, as of March 2021. In future, regular reports on risks and issues will be included with the quarterly Corporate Performance Reports, and in line with the Risk and Opportunity Management Strategy, will just include the “key business risks”, i.e. those that have a score of between 15-25.

The Corporate Risk Register and Corporate Issues Log are supported by registers for each Directorate which have now been developed. The registers are fluid documents and are reviewed and updated on at least a monthly basis, and more frequently if required. The registers are also aligned to the Directorate service plans and to the delivery of the Corporate Plan and the council’s strategic objectives. Programmes and projects that the council is undertaking also capture risks relevant to the work being delivered.

Processes are in place within each directorate to regularly review existing and identify any new risks. As new risks are identified they are included on the risk register and mitigations are identified and planned. The risks are all scored based on their probability and potential impact using the scoring matrix and guidance as set out in the Risk and Opportunity Management Strategy.

A target date is set as to when the mitigations should be in place, and a lead officer is appointed. Risks with a higher score are likely to have a more detailed mitigation plan. Issues are things which have already happened, so they are not scored in the same way as risks, but they have a RAG status which relates to the severity of the issue.

The risk register and issues log are updated as necessary and new risks/issues can be added at any point. They are routinely reviewed each month through the regular cycle of meetings. The lead officer is responsible for updating the risk register with progress made regarding mitigations, and this is reported back to Directorate performance meetings, and to the Corporate Performance Board where SMT review the key risks monthly.

During the debate, no comments or questions were raised.

The Committee noted the progress being made with the approach to risk management.

## 12. **Summary of Level 1 and 2 Internal Audit Actions**

The Council has engaged the South West Audit Partnership (SWAP) to carry out its Internal Audit functions; checking the adequacy of controls and procedures across the whole range of Council services.

At the start of each financial year an audit plan is agreed between SWAP and the Council which identifies the areas of highest potential organisational and operational risk within the Council.

When an audit takes place a report is provided to the service manager concerned which gives an audit conclusion and opinion.

Any control or procedural weaknesses are identified within an action plan appended to the audit report.

All findings would be allocated one of 3 priority ratings

Each finding within the action plan contains a target implementation date which has been agreed between SWAP and the service manager concerned.

All priority 1 and 2 recommendations are captured in a register to ensure progress against the recommendations can be tracked and progress reported to the Audit, Governance and Standards Committee.

This report gives the Committee a progress update on all priority 1 and 2 audit actions, including those where the agreed remedial action is overdue. A summary of the priority 1 and 2 actions is provided in Appendix 1.

The current position as at 31st May:-

- 10 audit actions were currently open set out Appendix 1.
- 3 audit reports with all Priority 1 and 2 actions completed since the last report.
- 8 audit actions completed since the last report in April set out in Appendix 2.

There were no audit actions overdue as at 31/5/21.

During the debate no comments or questions were raised.

The Committee reviewed the overdue actions contained in the report and noted progress to date.

13. **Monitoring Officer Report (verbal update)**

The Committee were informed that future Monitoring Officer reports would be considered at the Standards Committee.

(The Meeting ended at 7.55 pm)



<b>AUDIT AND GOVERNANCE COMMITTEE</b>		
<b>Meeting Date</b>	<b>Draft Agenda Items</b>	<b>Lead Officer</b>
<b>26 July 2021</b>	Annual Governance Statement Action Plan Update	Amy Tregellas
	Annual Governance Statement 2020/21	Amy Tregellas
Report Deadline	External Audit Progress Update	Grant Thornton LLP (Jackson Murray)
<b>14 July 2021</b>		
	External Audit Risk Assessment 2020/21	Grant Thornton LLP (Jackson Murray)
	External Audit Review of Objection to TDBC Accounts 2018/19	Grant Thornton LLP (Jackson Murray)
<b>13 September 2021</b>	RIPA Policy	Amy Tregellas
Report Deadline	Equality and Diversity Update	Paul Harding
01 September 2021	Landlord Compliance update	James B/Ian C/Adam Evans
	Internal Audit Plan Progress Update 2021-22 Q1	SWAP (Alastair Woodland)
	Counter Fraud Maturity Overview	SWAP (Alastair Woodland)
	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches
<b>27 September 2021</b>	Internal Audit Plan Progress Update 2021-22	SWAP (Alastair Woodland)
<b>Special for SOA</b>	External Audit Findings Report 2020/21	Grant Thornton LLP (Jackson Murray)
Report Deadline	External Auditor's Annual Report 2020/21	Grant Thornton LLP (Jackson Murray)
	Assessment of Going Concern Status	John Dyson
	Approval of Statement of Accounts 2020/21	John Dyson
<b>13 December 2021</b>	Treasury Management Mid-Year Report	John Dyson
Report Deadline	External Audit Progress Report	Grant Thornton LLP (Jackson Murray)
01 December 2021	Internal Audit Progress Report 2021/22 Q2	SWAP (Alastair Woodland)
	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches
	Counter-Fraud Update Report	Amy Tregellas
<b>14 March 2022</b>		
Report Deadline	Internal Audit Plan Progress Update 2021-22 Q3	SWAP (Alastair Woodland)
02 March 2022	Internal Audit Plan and Charter 2022/23	SWAP (Alastair Woodland)
	Capital Investment and Treasury Strategy 2022/23	John Dyson
	External Audit Plan for 2021/22 Accounts	Grant Thornton LLP (Jackson Murray)

	External Audit Risk Assessment 2021/22	Grant Thornton LLP (Jackson Murray)
	External Audit Progress Report	Grant Thornton LLP (Jackson Murray)
	Internal Audit Progress Report 2021/22 Q3	SWAP (Alastair Woodland)
	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches
	Local Code of Corporate Governance (or would this go to Standards Committee?)	Amy Tregellas
	Audit and Governance Chair's Annual Report 2021/22	Cllr Baker

# Somerset West and Taunton Council

## Audit and Governance Committee – 26 July 2021

### External Audit Report on Objection to TDBC 2018/19 Accounts

This matter is the responsibility of Executive Councillor Ross Henley, Corporate Resources

Report Author: Paul Fitzgerald, Assistant Director – Finance and S151 Officer

#### 1 Executive Summary / Purpose of the Report

- 1.1 The 2018/19 Statement of Accounts for Taunton Deane Borough Council (TDBC), one of the predecessors of Somerset West and Taunton Council (SWTC), was approved by the Audit Governance and Standards Committee on 11 November 2019. The Committee received the external auditor's unqualified audit opinion, which supported the conclusion the accounts presented a true and fair view of TDBC's financial performance and position for the year ended 31 March 2019.
- 1.2 Although the accounts have been approved and published together with the auditor's opinion, as reported at the time, there remained an outstanding matter in respect of an objection to the accounts. This was lodged with the auditor by a local elector, exercising their rights under the Accounts and Audit Regulations 2015, related to redundancy payments. The final notice to close the audit for 2018/19 had not been issued by Grant Thornton LLP pending the review and findings in respect of the objection.
- 1.3 This report presents a summary of the work undertaken by Grant Thornton LLP in response to the Objection, and their conclusions and recommendations.
- 1.4 Grant Thornton LLP has subsequently issued its notices of the conclusion of the audit for both the 2018/19 TDBC Accounts and the 2019/20 SWTC Accounts.

#### 2 Recommendations

- 2.1 The Committee receives and notes the summary report and recommendations from Grant Thornton LLP in respect of the Objection to the Taunton Deane Borough Council Statement of Accounts 2018/19.
- 2.2 The Committee notes that Grant Thornton LLP gave notice on 21 June 2021 of the Conclusion of the 2018/19 Audit for Taunton Deane Borough Council and of the 2019/20 Audit of Somerset West and Taunton Council.

#### 3 Risk Assessment

- 3.1 As this matter is now closed there are no remaining risks in respect of this report.

## **4 Background and Full details of the Report**

- 4.1 The 2018/19 Statement of Accounts for Taunton Deane Borough Council (TDBC), one of the predecessors of Somerset West and Taunton Council (SWTC), was approved by the Audit Governance and Standards Committee on 11 November 2019. The Committee received the external auditor's unqualified audit Opinion, which supported the conclusion the accounts presented a true and fair view of TDBC's financial performance and position for the year ended 31 March 2019.
- 4.2 Although the accounts have been approved and published together with the auditor's opinion, as reported at the time there remained an outstanding matter in respect of an objection to the accounts related to redundancy payments. This was lodged with the auditor by a local elector, exercising their rights under the Accounts and Audit Regulations 2015. The final notice to close the audit for 2018/19 had not been issued by Grant Thornton LLP pending the review and findings in respect of the objection.
- 4.3 Grant Thornton LLP has now concluded its review in response to the objection, with a summary of the background, work undertaken, findings and recommendations included in the attached report.
- 4.4 It is pleasing to note that the external auditor has concluded:
- a) he will not issue a Report in the Public Interest
  - b) he did not believe the redundancy payments were unlawful and would not be seeking a declaration from the Court to that effect.
- 4.5 Nonetheless there are valuable lessons identified within the recommendations presented by Grant Thornton in the attached report, which members are requested to note and take into account in any future decision making in respect of redundancies.

## **5 Links to Corporate Strategy**

- 5.1 This relates to the Council's financial reporting statutory duty and is not directly related to the Corporate Strategy.

## **6 Finance / Resource Implications**

- 6.1 Grant Thornton LLP proposed to charge additional audit fees totalling £10,641 in respect of the work undertaken related to the Objection. This reflects costs of staff time and legal advice. The proposed fee request has been submitted to Public Sector Auditor Appointments (PSAA) to review for reasonableness.

## **7 Legal Implications**

- 7.1 Any member of the public may issue a written notice of objection to the external auditor during the public inspection period, in line with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.

### **Democratic Path:**

- **Audit and Governance Committee – Yes 26 July 2021**
- **Full Council – No**

**Reporting Frequency: Once only**

**List of Appendices:**

- **Grant Thornton report**

**Contact Officers**

Name	Jackson Murray – Grant Thornton LLP
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# Taunton Deane Borough Council 2018/19 objection summary



# The objection

The objection was made in respect of redundancy payments to former employees of Taunton Deane Borough Council as part of the transition to the successor organisation, Somerset West and Taunton Council. The objector posed the following questions as part of their objection:

- a. How many of the 191 redundancies were of employees occupying posts which remain, largely or wholly unchanged, in the new structure?
- b. Of those posts which remain in the new structure, how many were filled at the date of transfer by other members of staff (who might otherwise have been redundant) transferring into them?
- c. Does the redundancy payment of £343,000 to the former Chief Executive include or exclude the sum of £88,899 described as “compensation for loss of office”?
- d. On what basis did the former Council agree to make payment for loss of office in the case of the former Chief Executive when there was no requirement for loss of office?
- e. What financial or other savings or cost benefits accrue to the Council as a result of making the former Chief Executive redundant?

The objector also identified that they believed the Council had acted ultra-vires as staff members could choose to make themselves redundant when, in the objector’s view, these posts were not redundant. I took this to mean that the objector also wished to me to apply to the Court, under section 28 the Act, for a declaration that the salary payments in the areas mentioned were unlawful.

## Work carried out

In responding to the objection, our work included:

- a. discussing the issue with key officers and using their responses to understand the Council’s position on the issues and queries raised;
- b. reviewing relevant documentation that supported the decision-making in respect of the redundancies, including the Council’s legal advice; and
- c. obtaining our own independent legal advice on matters of employment law.

The objector requested that I issue a Report in the Public Interest on this matter under schedule 7 of the Local Audit and Accountability Act 2014 (the Act).

# Findings

In terms of the specific matters the objector raised, I summarise my conclusions below:

**How many of the 191 redundancies were of employees occupying posts which remain, largely or wholly unchanged, in the new structure?**

There were 190 redundancies in total as per the 2018/19 audited statement of accounts of Taunton Deane Borough Council, of which 188 were voluntary redundancies and 2 were compulsory.

It was my view that no posts remained wholly unchanged in the new organisation, but the extent to which posts could be said to have remained largely unchanged is less clear. The Council took the view that the nature and the extent of the changes to job descriptions were sufficient to justify the approach that was taken. It is clear that a reduction in headcount was required in certain areas in order to achieve the necessary cost savings, irrespective of whether some of these employees occupied roles that may be considered similar to roles in the new structure. I set out the further consideration of the legality of the redundancy situation in the 'Wider considerations' section later in this report.

**Of those posts which remain in the new structure, how many were filled at the date of transfer by other members of staff (who might otherwise have been redundant) transferring into them?**

There were 536 employees across the predecessor councils and 190 of them received redundancy payments. However, this does not necessarily mean 346 employees were placed in roles in the new structure, as some previous employees may not have had sufficient length of service to receive a redundancy payment or may have left prior to the voluntary redundancy consultation process.

The predecessor Councils were of the view that none of the posts in the new structure remained wholly or largely unchanged, although it was our view that similarities did of course exist between some old and new roles. A significant proportion of employees were successful in their applications for roles in the new structure as they were considered to have the necessary skills and demonstrated the required attitude and behaviours. I requested the specific details, however after a considerable time delay the Council were unable to provide the total number of posts filled by previous members of staff transferring into them.

**Does the redundancy payment of £343,000 to the former Chief Executive include or exclude the sum of £88,899 described as "compensation for loss of office"?**

A redundancy payment of £88,899 was made to the former Chief Executive in relation to compensation for loss of office, as disclosed in the accounts. Early payment of pension benefits sometimes results in a shortfall in pension funding as no further contributions will be made in respect of that member. This shortfall is also known as the pension strain, which is required to be paid into to Somerset Pension Fund by the Council. The Pension Fund calculate this amount and request this from the Council, which amounted to £253,036 in this instance.

**On what basis did the former Council agree to make payment for loss of office in the case of the former Chief Executive when there was no requirement for loss of office?**

I sought clarification on the payments made to the former Chief Executive from independent legal advisors and have based our conclusions upon this advice.

The Regulations governing the merger process specifically set out the basis for the payment for loss of office. The 'Local Government (Boundary Changes) Regulations 2018', Part 4, section 12 set out the statutory provisions.

# Findings (cont'd)

The current Chief Executive was appointed 1 January 2019 and the former Chief Executive was made redundant at the end of February 2019. As such it was my view, following consultation with legal advisors, that the Council complied with the legislation referred above and the former Chief Executive was dismissed by reason of redundancy.

The payment of £253,036 in respect of the local government pension scheme appears to have been made in accordance with the requirement in section 30(7) of the Local Government Pension Scheme Regulations 2013.

I did not find evidence to suggest that the payment to the former Chief Executive was unlawful or otherwise inappropriate.

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What financial or other savings or cost benefits accrue to the Council as a result of making the former Chief Executive redundant?

The former Chief Executive's redundancy was part of the wider transformation programme which led to the demise of Taunton Deane Borough Council and West Somerset District Council. There were no specific savings directly attributed to making the former Chief Executive redundant.

Based on the revenue and capital budget 2019/20 taken to Shadow Council on 21st February 2019 £197k of savings were expected from the transformation programme in 2018/19, the year of account which the objection relates. The wider transformation programme and savings arising from the new Council were forecast to be £2,195k in 2019/20.

# Wider considerations

In considering the objector's view that the Council had acted ultra-vires, I further considered the redundancies. For expenditure to be lawful, the Council needs to have the necessary legal powers to incur it, to have acted rationally in exercising those powers and to have followed appropriate authorisation processes.

In this case, the predecessor Councils appear to have the legal powers to incur the expenditure. Specifically, in respect of the former Chief Executive, 'The Local Government (Boundary Changes) Regulations 2018' provide these legal powers. Legislation also provides for Local Government employees to receive redundancy payments. I sought independent employment law advice on the redundancy situation to confirm that the payments were legally appropriate.

I also concluded that the expenditure was appropriately authorised. The former Chief Executive approved the redundancy policy and minutes from the Shadow Council meeting held 10th September 2018 confirm that the former Chief Executive has the delegated authority to make such decisions. It was also confirmed at this meeting that the former Chief Executive was not responsible for their own potential redundancy, and the legislation referred to above provides the legal basis for this particular payment.

The predecessor Councils considered the availability of suitable alternative roles in the new structure. However, in adopting this process the predecessor Councils departed from their previous longstanding policies of assimilating employees into alternative roles where there was at least an 80% match with their old role. Instead, all employees were given the freedom to express interest in up to three roles in the new structure or to apply for voluntary redundancy. Particular roles were not ring-fenced to specific pools of employees and all applicants had to attend a selection day and were assessed through a combination of interviews and tests.

The Council is able to change its redundancy policy and the new approach was implemented following consultation with UNISON. However, it is concerning that the Council did not seek detailed legal advice before embarking on such a radically different approach. The initial legal advice that was obtained was very limited in scope and insufficient information was provided to enable a meaningful legal analysis to be made of the risks and benefits of this new approach before proceeding with it.

One of the principles for rational decision-making is that the Council took into account appropriate information in taking its decision, with the estimated cost of the redundancies being a key piece of information in this instance. The actual cost of the redundancies was considerably higher than the original estimate and I needed to understand how this had occurred and whether it represented any flaws in the original decision-making.

This appeared to confirm that the Council accepted more applications for voluntary redundancy than was actually required to avoid compulsory redundancies. Many of these were from employees who would have received high enhanced redundancy payments and would have been entitled to an increase in their pensions if they were aged 55 or over. This raises questions over the extent to which the Council followed its own policy when considering applications for voluntary redundancy and whether the escalating redundancy payments and agency worker costs were the best use of public money in this instance.

I also considered the Council's decision to include voluntary, as opposed to compulsory, redundancy as one of the options to staff. Employers are expected to explore alternatives to making compulsory redundancies and offering the opportunity to apply for voluntary redundancy is one of those valid alternatives. Crucially, however, an employer should retain the ability to accept or refuse any particular application to take voluntary redundancy. Appendix B 4.7 of the Council's Organisation Change Procedure, Selection and Redundancy Processes for New Operating Model makes it clear that the Council did retain this discretion.

# Wider considerations (cont'd)

This should have meant that applications for voluntary redundancy were only accepted where this accorded with the need to reduce headcount for that job type and allowed the retention of valuable skills and experience in the new structure. However, it is evident from other documents provided by the Council that in some areas the number of voluntary redundancies, and the timing of these, led to immediate staff shortages that had to be covered by more expensive agency workers in the short-term, whilst an external recruitment process took place.

Based on our considerations, and having sought independent legal advice, I concluded that the Council was not acting unlawfully from an employment law perspective by making redundancy payments in these circumstances. However, I noted a lack of evidence that the Council obtained appropriate legal advice, or properly analysed and weighed up all of the considerations involved (i.e. the costs of redundancy against saving money on potential complex debates and claims) in order to ensure that it made the best use of public money and maintained an optimal workforce. It may therefore be argued that the Council did not achieve the best value for money (in terms of outcome vs costs) in this situation, and that its decision-making was to some extent flawed through lack of clarity and explicit consideration of the various factors.

# Conclusions

## Report in the Public Interest

Having considered the various matters carefully, I concluded that I would not issue a Report in the Public Interest. This was because:

- a. whilst I raised some concerns about aspects of the redundancy scheme, I did not conclude that the scheme, and hence the payments made under it, were unlawful;
- b. I had no concerns over the lawfulness of the redundancy payment to the former Chief Executive;
- c. the decisions in relation to the scheme were taken by the predecessor Councils which no longer exist, with specific delegation to the former Chief Executive who is no longer in post. The need for a Report in the Public Interest to ensure accountability is therefore diminished;
- d. I am satisfied that the lessons which the successor Council needs to learn from this matter are captured in the recommendations I made, and that these recommendations are not of such seriousness that they warrant making in a Report in the Public Interest (or, for the avoidance of doubt, as statutory recommendations under schedule 7 of the Local Audit and Accountability Act); and
- e. through this document, my views on this matter are reaching the public domain and being discussed at the Council's Audit and Governance Committee, which feels to be an appropriate and proportionate approach.

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## Declaration to the Court

In this case, for the reasons set out in the report, I do not believe that the redundancy payments were unlawful from an employment law standpoint. I have identified some aspects of the decision making which could amount to irrational exercise of discretion, but I have not concluded that there was clearly an unlawful item of account. Furthermore, even if an unlawful item of account did exist, I would not seek a declaration from the Court to that effect because:

- a. as noted above, the decisions in relation to the scheme were taken by the predecessor Councils which no longer exist, with specific delegation to the former Chief Executive who is no longer in post. It is not clear what purpose a declaration would serve;
- b. the costs of seeking a declaration are significant; and while they would be nowhere near the costs of the redundancy payments, given the limited practical result of a declaration, I do not believe it would be in the public interest to incur expenditure on court action in this instance;
- c. there is no suggestion that those who provided or received the redundancy payments did not make or receive them in good faith; and
- d. seeking a declaration would be unlikely to achieve any clarification of the law, as the situation which the predecessor Councils faced and the various factors coming into play was not common across a large number of councils.

Nevertheless, I made recommendations to the Council and will follow these up as part of our audit work. For the avoidance of doubt, these are not statutory recommendations made under schedule 7 (section 2) of the Local Audit and Accountability Act 2014.

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# Recommendations

I recommend that:

- a. The Council should ensure that key decisions are based upon up-to-date evidence and that an audit trail is maintained following the event to ensure that the decision can be appropriately evidenced. This should include a clear evaluation of the costs and benefits of the decision and an assessment of their value for money.
- b. The Council should ensure that it obtains sufficiently detailed legal advice before it embarks on any significant decisions or transactions, including those with considerable public interest. It should retain written copies of this advice to enable it to evidence the legal basis for the decisions made.



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# Somerset West and Taunton Council

## Audit and Governance Committee – 26 July 2021

### External Audit Progress Report and Sector Update

This matter is the responsibility of Executive Councillor Henley, Corporate Resources

Report Author: Paul Fitzgerald, Assistant Director Finance and S151 Officer

#### 1 Executive Summary

- 1.1 The attached report provides the Audit and Governance Committee with a progress update regarding the work of the external auditor, Grant Thornton LLP, together with information relating to emerging issues which may be relevant to the Council.

#### 2 Recommendations

- 2.1 Members are requested to consider and note the Progress Report and Sector Update received from Grant Thornton.

#### 3 Background and Full details of the Report

- 3.1 The Council's external audit function is undertaken by Grant Thornton. The external auditors, as part of their work, provide regular progress updates to Members via the Audit and Governance Committee together with updates in relation to emerging national issues which may be of relevance to the Council.

#### 4 Links to Corporate Aims / Priorities

- 4.1 This report links to the Council's aim of achieving financial sustainability and also relates to statutory requirements for financial reporting and audit arrangements.

#### 5 Legal Implications

- 5.1 The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities.

Democratic Path:

- Audit Governance and Standards Committee – 12 April 2021

Reporting Frequency: Ad hoc

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# Somerset West and Taunton Council Audit Progress Report and Sector Update

Year ending 31 March 2021

July 2021  
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

**Jackson Murray**

Key Audit Partner

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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at July 2021

## Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in January 2021. We begin our work on your draft financial statements in July.

In March we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August. The Authority published its draft 2020/21 financial statements on 7 July 2021. The date by which authorities are required to publish audited financial statements is 30 September. In 2020 this date was pushed back to 30 November.

We will report our work in the Audit Findings Report and aim to give our opinion on the financial statements by the end of September 2021.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is now no more than three months after the date of the opinion on the financial statements.

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# Progress at July 2021 (cont.)

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim was completed on 17 March 2021, with summary findings reported to the Audit, Governance and Standards Committee in March 2021. The certification work for the 2020/21 claim is due to begin in later in 2021 and will update the Audit and Governance Committee on progress in future progress reports.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The certification work for the 2019/20 return was completed on 10 February 2021. The certification work for the 2020/21 return is due to begin later in the year once the auditor guidance has been issued.

### Meetings

We met with Finance Officers in June as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

We also met with your Chief Executive and Section 151 Officer in June to discuss the Authority's strategic financial priorities and plans.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p data-bbox="120 406 264 438"><b>Audit Plan</b></p> <p data-bbox="120 454 1310 598">We are required to issue a detailed audit plan to the Audit, Governance and Standards Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	March 2021	Complete
<p data-bbox="120 614 421 646"><b>Audit Findings Report</b></p> <p data-bbox="120 662 1310 742">We currently propose that the Audit Findings Report will be reported to the September Audit and Governance Committee.</p>	September 2021	Not yet due
<p data-bbox="120 758 336 790"><b>Auditors Report</b></p> <p data-bbox="120 805 739 853">This is the opinion on your financial statements.</p>	September 2021	Not yet due
<p data-bbox="120 869 448 901"><b>Auditor's Annual Report</b></p> <p data-bbox="120 917 1153 987">This Report communicates the key issues arising from our Value for Money work.</p>	September 2021 or within 3 months of the auditors report date	Not yet due

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

[Lessons from recent Public Interest Reports | Grant Thornton](#)

# Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

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The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# Local authority Covid-19 pressures – MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to Covid-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

**Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)**

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	<b>3,181.254</b>
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	<b>378.846</b>
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	<b>298.584</b>
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	<b>299.433</b>
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	<b>340.858</b>
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	<b>2,363.926</b>
<b>Total</b>	<b>329.937</b>	<b>2,111.187</b>	<b>1,791.153</b>	<b>1,503.848</b>	<b>1,126.777</b>	<b>6,862.902</b>



The figures are available in full here: <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

**Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)**

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	<b>1,215.708</b>
Council tax	399.037	0.000	217.633	191.219	232.727	<b>1,040.616</b>
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	<b>2,137.728</b>
Commercial income	82.448	24.159	120.629	204.211	52.154	<b>483.600</b>
Other	33.494	39.947	27.163	53.664	45.166	<b>199.435</b>
<b>Total</b>	<b>1,307.903</b>	<b>259.029</b>	<b>1,113.524</b>	<b>1,053.190</b>	<b>1,343.441</b>	<b>5,077.087</b>

# Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond’s independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states “The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively.”

The press release goes on to state the “measures finalise the government’s response to Sir Tony Redmond’s independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

# Consultation on 2023-24 audit appointments – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) is consulting on the Draft prospectus for 2023 and beyond.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.”

The plans include proposals to adjust the procurement ratio between quality and costs from an equal 50:50 to 80:20, as well as trying to bring new suppliers in to the market.

The consultation on the PSAA’s proposals closes on 8 July.



The news article can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/draft-prospectus-for-2023-and-beyond/page/7/>

# Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

<https://www.gov.uk/government/news/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent>



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# Somerset West and Taunton Council

## Audit and Governance Committee – 26 July 2021

### External Auditor Risk Assessment 2020/21 – ISA240 Inquiries of Management

This matter is the responsibility of Executive Councillor Ross Henley, Corporate Resources

Report Author: Paul Fitzgerald, Assistant Director – Finance and S151 Officer

#### 1 Executive Summary / Purpose of the Report

1.1 Grant Thornton LLP is the Council's appointed auditor responsible for the audit of the accounts for the periods 2019/20 through to 2022/23. As part of their preparation for the 2020/21 audit, Grant Thornton has followed its risk assessment procedures to obtain an understanding of management processes in a number of areas. This report shares the information provided by the Council's management to help inform this risk assessment.

#### 2 Recommendations

2.1 The Committee notes the information provided to Grant Thornton LLP to inform their risk assessment for the 2020/21 audit, and considers whether the responses are consistent with its understanding and whether there are any further comments it wishes to make.

#### 3 Risk Assessment

3.1 This report informs the risk assessment undertaken by Grant Thornton LLP in preparation for the audit of the Council's 2020/21 annual accounts.

#### 4 Background and Full details of the Report

4.1 Grant Thornton LLP is the Council's appointed auditor responsible for the audit of the accounts for the periods 2019/20 through to 2022/23.

4.2 As part of their preparation for the 2020/21 audit, Grant Thornton LLP has followed its risk assessment procedures to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties
- Accounting Estimates

- 4.3 This report shares the information provided by the Council’s management to help inform this risk assessment.
- 4.4 The Committee is requested to review the information provided and consider whether this is consistent with its understanding. The Committee may also consider whether there are any other comments it wishes to make to inform the risk assessment undertaken by Grant Thornton LLP.

**5 Links to Corporate Strategy**

- 5.1 This relates to the Council’s financial reporting and audit statutory duties and is not directly related to the Corporate Strategy.

**6 Finance / Resource Implications**

- 6.1 None.

**7 Legal Implications**

- 7.1 The audit is conducted in line with the requirements of the Local Audit and Accountability Act 2014.

**Democratic Path:**

- **Audit and Governance Committee – 26 July 2021**

**Reporting Frequency: Annual**

**List of Appendices:**

- **Grant Thornton – Informing the audit risk assessment for Somerset West and Taunton Council 2020/21**

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# Informing the audit risk assessment for Somerset West and Taunton Council 2020/21

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Somerset West and Taunton Council's external auditors and Somerset West and Taunton Council's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Committee under auditing standards.

### Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Governance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

### Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties
- Accounting Estimates

Note: The Council revised its Committee structure in May 2021. Responsibilities of the Audit Governance and Standards Committee, which operated during 2020/21, have been separated into an Audit and Governance Committee and a Standards Committee in 2021/22. The committee names should be regarded as interchangeable when referred within this document.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Somerset West and Taunton Council's management. The Audit and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	The Council's second year has been significantly impacted by the Covid pandemic. Other key events for the financial statements have been the move from Function leads to Directorates, and the first year of the commercial strategy. From a financial perspective, the creation of the Council was not smooth and the delayed and drawn out completion of the previous year's audit of the accounts was very difficult for all parties. There were significant changes to the categories of PPE, including significant prior year adjustments. There have been several unusual and new issues such as dealing with business rates holiday, business grants, various COVID grant income arrangements presenting a dynamic and changing picture which has had to be assessed for proper accounting.
2. Have you considered the appropriateness of the accounting policies adopted by Somerset West and Taunton Council?  Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes. The accounting policies have been reviewed to ensure consistency with the 2020/21 Code of Practice. No significant changes have been made and no events or transactions require new or altered accounting policies.  A report was made to the Audit, Governance and Standards Committee (AGS) on 7 December 2020 on Financial Control and Reporting Procedures.  The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 were introduced in response to COVID-19, and this has extended the deadlines for completing the accounts, including audit.  The numerous changes caused by a wide range of grant schemes from the government has had a significant operational impact on the Council and its residents and businesses. The Council has been variously the principal and agent for these grants. Policies were not changed, and all grants will have been reviewed for accounting treatment.
3. Is there any use of financial instruments, including derivatives?	The Council has used a range of financial instruments including treasury investments and borrowing. No derivatives have been used.
4. Are you aware of any significant transaction outside the normal course of business?	Yes. The significant transactions here will be the COVID grants and the business rates holiday for retail, hospitality, leisure and nurseries hereditaments.  The Council also began its new commercial property investment strategy as a significant growth item. This was almost half way through by the end on 2020-21, with £44m of the £100m being invested. This scale of investment activity is now embedded within the normal course of business.

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	All non current asset valuations will have been carried out by Wilkes, Head and Eve on the basis of Instructions by SWT. Apart from those due to COVID, there are no changes of circumstances known about that would lead to impairment of non-current assets.
6. Are you aware of any guarantee contracts?	<p>The Council provides a guarantee to SWAP (South West Audit Partnership) in respect of local government pension fund deficit related to former SWT (its predecessors') employees.</p> <p>The Council also provides a guarantee in respect of local government pension fund deficit related to former staff employed within SWP (Somerset Waste Partnership) and its contracts.</p> <p>Neither separately nor jointly do these guarantees reach materiality.</p>
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	The only potentially material loss contingency related to a claim by NHS hospitals to reduce their NNDR liability. The matter was considered through judicial process and the claim was withdrawn in March 2021.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Somerset West and Taunton Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Somerset West and Taunton has no in-house solicitors. There is an inter authority agreement for the provision of a shared legal service ("SHAPE") hosted by Mendip DC. External legal services have also been used for projects including: Bevan Britten, Clarke Wilmott, Ashfords, and Womble Bond Dickinson (property acquisitions).</p> <p>There is no open litigation or contingencies work from prior years</p>

## General Enquiries of Management

Question	Management response
9. Have any of the Somerset West and Taunton Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>The Council engaged the services of a range of advisors through the year. The following were paid over £50k during 2020/21:</p> <p>Mace Ltd (property - project and cost management), Stantec UK Ltd &amp; Environment Agency (planning and environment strategy support), Building Design Partnership Ltd (property – architecture), Lambert Smith Hampton (property – estate management), Gates Construction Consultant Ltd (property – project and cost management), Bruton Knowles (property - estate Management), Hardisty Jones Associates (economic development)</p> <p>Inspired to Achieve (service improvement),            Royal Haskoning DSG (property – phosphate strategy)            IPSIS Mori (Research), P A Consulting (Stronger Somerset)</p> <p>Other advisors paid less than £50k and of potential interest:</p> <p>ACS Ltd (Covid related benefits, business rate reliefs &amp; business grants), Arlingclose (treasury management strategy), Double Helix Public Services (corporate finance), LG Futures (local government finance).</p>

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Governance Committee and management. Management, with the oversight of the Audit and Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Somerset and West Taunton Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Somerset West and Taunton Council's management.

## Fraud risk assessment

Question	Management response
<p>1. Have Somerset West and Taunton Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>The Council places reliance on its Financial Procedure Rules, and internal controls and audit functions to minimise the risk of fraud and error. The risk of material misstatement is considered to be low.</p> <p>Key decision reports and financial reports incorporate risk assessments including financial risks. Any fraud and error losses will be reflected in the reported income and expenditure for the authority, and material losses reflected in budget monitoring reports as well as report to Audit and Governance Committee.</p> <p>The annual Risk and Opportunity Management Strategy was taken to Audit Governance and Standards Committee on 1 February 2021.</p> <p>The Internal Audit (SWAP) is undertaking a new Fraud Risk Assessment as part of the 2021/22 Audit Plan, which will be a feature of continuous audit.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>A fraud prevention and detection service is operated in partnership with Powys Council, which includes transactional areas assessed as higher risk e.g. Right to Buy sales and benefit payments / council tax discounts.</p>

## Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Somerset West and Taunton Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Yes.</p> <p>Periodic reports to Audit and Governance Committee relate matters in respect of fraud and risk, as well as reporting to the Committee in respect of internal audit findings, external audit findings, and the Annual Governance Statement. There would also be ad hoc reporting as may be required by the Monitoring Officer and/or S151 Officer. An annual report on the results from the work of the counter-fraud service delivered by Powys Council will be included in the Forward Plan for Audit and Governance Committee.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Somerset West and Taunton Council where fraud is more likely to occur?</p>	<p>There are known areas of risk, and these are managed through the operation of appropriate controls as well as targeted reviews through internal audit and counter-fraud processes. A number of areas are reviewed each year. Specific higher risk locations have not been identified.</p> <p>The impact of COVID introduced new, potentially significant, risks relating to the grants received and administered as principal or agent. These risks related to those potentially receiving the grant and those administering / determining them. Pre- and post-payment assurance measures have been implemented to minimise the risk of fraud and error.</p>
<p>5. What processes do Somerset West and Taunton Council have in place to identify and respond to risks of fraud?</p>	<p>The Council's fraud prevention strategy has been reviewed and presented to the AGS (Audit, Governance and Standards) Committee [Anti-Fraud Framework &amp; Fraud Update Report 12 April 2021]. This included updates to the Anti-Fraud Policy, Whistleblowing Policy, Anti-Bribery Policy and Money Laundering Policy.</p>

## Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Somerset West and Taunton Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>A proportionate approach has been adopted to the internal control environment. Some risk has been accepted whilst the Council adapted to organisational changes e.g. through the implementation of some lower value purchase transactions being input and approved by one officer. Wrap around controls are in operation such as exception reports to provide management assurance that controls are not being bypassed or manipulated.</p> <p>During 2019/20 the Internal Auditor provided Partial Assurance overall, with some key control reports also assessed as Partial Assurance. The Council has now tightened its process for addressing and monitoring internal audit recommendations. There is an action plan within the Annual Governance Statement identifying areas where controls need to be strengthened and the AGS Committee will keep this under regular review. Key controls were reviewed as part of the 2020/21 Internal Audit Plan, with completed actions and improvements leading to improved assurance opinions from the Internal Auditor to date. The completion of actions in response to audit recommendations is overseen by Directors with quarterly reports presented to the SMT Performance Board for review. Progress in addressing higher priority (1 and 2) actions is also reported to the Audit and Governance Committee on a quarterly basis.</p> <p>Staff and customers may report suspected fraud via the Council's website.</p> <p>There are no known or expected areas where there is potential for override of controls or influence over financial reporting.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>Controls in place should mitigate any risk of misreporting.</p>

## Fraud risk assessment

Question	Management response
<p>8. How do Somerset West and Taunton Council communicate and encourage ethical behaviours and business processes of its staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported?</p>	<p>The Council operates within a governance framework that includes a range of policies and Codes of Conduct, including Whistleblowing Policy and Anti-Fraud and Corruption Policy. Staff work within a behaviours framework, and conduct and performance matters are covered in team/line management arrangements.</p> <p>Fraud reporting is available on the website, and staff can raise concerns with their managers or report directly to the fraud team.</p> <p>No significant issues have been reported last year, however suspected fraud / error cases have been considered and investigated by the fraud team or audit team.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?</p>	<p>COVID grants created a new risk due to the sums involved, need for new procedures and unavoidably complex working arrangements. The administration of grants and discounts was undertaken by staff within Revenues, Benefits and Operational Support (Accounts Payable) teams. Pre- and post-payment assurance measures have been implemented to minimise the risk of fraud and error.</p> <p>Financial controls are in place as part of the internal control framework that seek to minimise risk of fraud and error. Business processes include management / supervision checks and separation of duties on a proportionate basis. Adequacy of controls is reviewed through implementation of the internal audit plan, which is agreed with SMT on a risk-based approach. SMT monitor the delivery of the action plan in response to internal audit recommendations.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>There are no areas of particular potential interest at present. Care will need to be taken through the proposed creation of a Special Purpose Vehicle group / company structure to ensure fraud risk is controlled.</p> <p>Related party transactions are disclosed in the accounts as necessary.</p> <p>Elected Members and officers with a position of significant influence (e.g. CEO / Directors / S151 Officer) complete the register of interests and also complete a related parties return annually for the annual accounts reporting process.</p> <p>Relevant Codes are in place and communicated. Staff have employment contracts and are supported with access to relevant policies and training.</p>

## Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Governance Manager / Monitoring Officer has a standing agenda item to update the AGS Committee on governance matters.</p> <p>The Internal Auditor reports on a quarterly basis on delivery of the audit plan and will highlight significant fraud issues or risks identified. The External Auditor reports their findings and opinion in respect of the annual accounts and arrangements for securing value for money.</p> <p>Fraud risk has received a higher profile during 2020/21, leading to the report to AGS on 12 April 2021 (see 5 above).</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Yes. The Council's whistleblowing policy has been followed and investigation undertaken where assessed as appropriate. Significant matters to bring to the attention of those charged with governance is included in the Monitoring Officer update the AGS Committee.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No</p>

## Law and regulations

### Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit, Governance and Standards Committee, is responsible for ensuring that Somerset West and Taunton Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and Audit, Governance and Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Somerset West and Taunton Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>The Constitution sets out our legal and procedural framework and includes the Financial Procedure Rules and Contract Procedure Rules. There is an Officer Scheme of Delegation which means that the appropriate level of professional officer ensures that all relevant laws and regulations are complied with.</p> <p>Statutory post of the Monitoring Officer – who is able to report to Members any areas where she feels laws and regulations aren't complied with if appropriate. Both MO and S151 Officer had access to SMT during 2020/21, and are now formal members of SMT from August 2020, to give professional advice as required. The Council uses SHAPE Legal, a shared service based at Mendip DC. All Committee reports contain a section on Legal implications and reports now have to be discussed and signed off by SMT before going forward through the democratic process. Professionally qualified officers ensure that all relevant laws and regulations are followed. Job Descriptions and Person Specifications specify requirements to ensure recruitment and selection of appropriately qualified professional officers.</p> <p>We are not aware of any changes to the regulatory environment that may have a significant impact on the financial statements.</p>
<p>2. How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The AGS Committee receives reports on matters such as compliance and health &amp; safety, with higher risk areas included on the Internal Audit Plan. There is also a standing item on the committee agenda for the Monitoring Officer to provide an update on governance/legal matters.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No.</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does Somerset West and Taunton Council have in place to identify, evaluate and account for litigation or claims?	Any litigation claims that are received should be passed on to SHAPE Legal for evaluation and appropriate action.
6. Has there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	An minor issue arose relating to accounting for VAT and election expenses. This led to repayment plus potential (low value) penalties but the latter have been waived (March 2021) following agreement to introduce revised procedures.

# Related Parties

## Matters in relation to Related Parties

Somerset West and Taunton Council is required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Somerset West and Taunton Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any entity that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Somerset West and Taunton Council's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and Somerset West and Taunton Council</li> <li>• Whether Somerset West and Taunton Council has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>No</p>
<p>2. What controls does Somerset West and Taunton Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A review of related party transactions and disclosure requirements forms part of the year end programme of work to complete the accounts and supporting audit pack. Members are also required to disclose interests in line with the Member Code of Conduct, with such interests publicly disclosed.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Somerset Waste Partnership – SWT has members on the Board and officers on the Senior Management Group, with Business Plan approved by partner authorities. Separation of duties is embedded in financial processes, and also the requirement to disclose interests as described above.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Induction training plus policies in place for disclosure. Interested parties are required to be disclosed to Monitoring Officer, and would seek independent approval.</p>

# Accounting Estimates

## Matters in relation to Accounting Estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Governance Committee to satisfy itself that the arrangements for accounting estimates are adequate.

## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	None. Finance officers are working with the auditor to set out suitable description of material judgements and estimates through the new ISA540 Overview Analysis requirements.
2. How does the Authority's risk management process identify and address risks relating to accounting estimates?	There is no separate process relating solely to accounting estimates. The risk management process considers and manages both strategic and operational risks. The key element to this is the performance management framework. We also have separate approval for journal transactions >£50k. We have qualified accountants preparing accounts and giving advice to management/budget holders, and we have internal and external auditors to provide assurance.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Through the performance management framework. This is a comprehensive process that underpins, facilitates and enables the strategic and operational delivery of the Council's Plan. Any changes to key accounting estimates are a consequence of actions in relation to this.</p> <p>We ensure any accounting estimates lead to accounts that provide a true and fair view. We therefore subscribe to CIPFA publications to access up to date Codes, Guidance and other relevant regulatory guidance; we subscribe to CIPFA FAN and TIS Online; we monitor other updates such as CIPFA LAAP Bulletins and CIPFA e-bulletins; Arlingclose issue local authority guidance; and we use relevant expertise such as LG Futures. The finance team uses these and other measures to ensure knowledge and awareness is up to date.</p>
4. How do management review the outcomes of previous accounting estimates?	This occurs during the compilation of budget monitoring, the Outturn reports and the Statement of Accounts.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No.

## Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The relevant expertise is identified and applied as required in all cases. If there is a need to buy in specialised skills or knowledge then this happens. Examples are: the Council contracts to use suitably qualified RICS Valuers to undertake PPE Valuations (currently Wilkes, Head and Eve); Internal Audit is bought in using the SWAP (South West Audit Partnership); and Treasury Management expertise comes from Arlingclose. Actuaries (Barnett Waddingham) provide expertise to value pension fund assets and liabilities, following relevant regulations and Codes, for disclosure in SWTC accounts.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The Council applies the control activities relevant to the particular accounting estimate, and in line with the Council's performance management framework.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Most elements of the performance management framework are linked in to either monthly or quarterly monitoring.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	The answer to this question depends on the accounting estimate involved. Finance officers are working with the auditor to set out suitable description of material judgements and estimates through the new ISA540 Overview Analysis requirements. Responsibility for approving the Statement of Accounts as presenting a true and fair view sits with the S151 Officer, who must be a professionally qualified accountant.

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Yes, due to Covid. In particular the identification of principal or agent approach to accounting for COVID related grants. Further judgement is required in respect of provisions for expected credit losses (bad debts) and business rates refunds due to valuation changes under the Valuation Office's Check Challenge Appeal process.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through the reports which go to that Committee. The Forward Plan identifies a comprehensive schedule including items from areas such as Finance, Governance, Internal Audit, and External Audit. The S151 Officer is professionally qualified and certifies the accounts as giving a true and fair view, and the external auditor provides his professional opinion on the same through reports to those charged with governance.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, plant and equipment valuations	Each part of an item of property, plant and equipment with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.	Review within WHE and by SWT – qualified Valuer, and Finance Consistent asset lives applied to each asset category.	Yes. Valuations made by independent (external), RICS qualified professionals in Wilkes, Head and Eve (WHE).	As stated in the Accounting Policies e.g. Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption.	Not usually, and will be stated if has happened
Estimated remaining useful lives of PPE	Depends on the asset – per Accounting Policy	See above	See above	See above	See above
Depreciation and amortisation	Depends on the asset – per Accounting Policy	See above	See above	See above	See above
Impairments	Depends on the asset – per Accounting Policy	See above	See above	See above	See above

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	Financial instruments are valued at fair value based on the advice of external treasury consultants and investment fund managers.	All financial instruments are reviewed at year end and advice taken from professional advisors.	Yes	Instruments are valued on an individual basis with advice from treasury management professionals and investment fund managers.	No
Provisions for liabilities	Provisions are made whenever an event takes place that give the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount.	Each provision is separately reviewed by financial accountants and a working is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No
Bad Debt Provision / expected credit losses	Debts are reviewed monthly and any debts that are deemed to be irrecoverable are written off to the Comprehensive Income and Expenditure Account.	Knowledge by the Accounts Receivables team in likelihood of recoverability and the aging of the debts, with accounting valuations agreed by a qualified accountant.	N/A	N/A	No
Accruals	We use standard accruals accounting.	Monthly management accounts provide rigorous analysis so that any accruals are highlighted and actioned throughout the year.	N/A.	Accruals for income and expenditure have been principally based on known values. Where accruals have been estimated, the latest available information has been used.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non Adjusting events – events after the balance sheet date	These are identified as the Statement of Accounts is compiled by: Conversation with SMT during Outturn report derivation; and Networking with other S151 officers (Somerset, nationally)	Performance Management Framework	Probably not, given these are non adjusting events.	Does the event have the scope to create a significant, if not necessarily material (by definition), change in the Council's financial position.	No
Defined benefit pension amounts and disclosures	Staff are members of the LGPS, administered by Somerset County. Report from the Actuary satisfies IAS19.	Rely on the calculations made by the actuary.  Challenge any unusual movements or assumptions with the actuary.	The actuary of the Pension scheme.	Reliance on the expertise of the actuaries of the pension scheme. In 2020/21 the Council has opted to use the assumptions suggested by the actuary. This is a change from 2019/20 when a different salary assumption was used. Valuations have been requested later, at and on 31March 2021, to avoid estimation uncertainty.	Yes
Pension Fund (LGPS) Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial expert Barnett Waddingham. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Council responds to queries raised by the administering body.	The Council are provided with an actuarial report by Barnett Waddingham (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No



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# Somerset West and Taunton Council

## Audit and Governance – 26 July 2021

### Annual Governance Statement 2020/21

This matter is the responsibility of the Leader of the Council, Cllr Federica Smith-Roberts

Report Author: Amy Tregellas, Governance Manager

#### 1 Executive Summary / Purpose of the Report

- 1.1 To present the Committee with the Annual Governance Statement 2020/21 (Appendix A) and accompanying Action Plan (Appendix B).
- 1.2 Appendix C contains an outturn position on the Action Plan from the 2019/20 Annual Governance Statement.

#### 2 Recommendations

- That the Committee:
- 2.1 Approves the draft Annual Governance Statement and Action Plan (Appendix B) for 2020/21.
  - 2.2 Notes the outturn position for the 2019/20 Action Plan

#### 3 Risk Assessment

- 3.1 Failure to have robust governance arrangements in place could impact on the Council's control environment and ability to operate in an economic, efficient and effective manner. This could lead to recommendations being made by Internal and External Audit.

#### 4 Background and Full details of the Report

- 4.1 The Annual Governance Statement (AGS) is a statutory document which provides assurance on the governance arrangements and control environment within the Council.
- 4.2 The Accounts and Audit Regulations 2015 set out that 'a relevant authority must, each financial year: (a) conduct a review of the effectiveness of the system of internal control; and (b) prepare an annual governance statement
- 4.3 The Statement is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance titled '*Delivering Good Governance in Local Government: Guidance Notes for English Authorities and Framework.*'
- 4.4 The Statement has also been prepared taking into consideration the contents of the CIPFA Bulletin 06 – Application of the Good Governance Framework for 2020/21, which concerns the impact of the continuing Covid-19 pandemic on governance arrangements.

- 4.5 The Framework defines the principles that should underpin governance as:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - B. Ensuring openness and comprehensive stakeholder engagement
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - D. Determining the intervention necessary to optimise the achievement of the intended outcomes
  - E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it
  - F. Managing risks and performance through robust internal control and strong public financial management
  - G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
- 4.6 The Annual Governance Statement includes an Action Plan to address any governance issues identified as a result of the review of the effectiveness of the system of internal control. Details of the Council’s Governance Framework is included as part of the Annual Governance Statement (Appendix A).
- 4.7 In order to ensure that the actions are being delivered it is important that the Committee review progress against the Action Plan, and update reports will be brought to the Committee in September and December 2021 and March 2022.
- 4.8 The final version of the Annual Governance Statement will be presented to the Committee at the meeting where the Annual Statement of Accounts are considered – in order to make any amendments following the External Audit process.

## **5 Links to Corporate Strategy**

- 5.1 Having a robust, effective and efficient governance framework in place is a fundamental element of being a ‘well managed’ council and avoiding recommendations from Internal and External Auditors.

## **6 Finance / Resource Implications**

- 6.1 None arising from this report.

## **7 Legal Implications**

- 7.1 None arising from this report.

### **Democratic Path:**

- **Audit and Governance Committee – Yes**
- **Executive – No**
- **Full Council – No**

**Reporting Frequency: Annually**

### **List of Appendices**

Appendix A	Annual Governance Statement
Appendix B	Action Plan
Appendix C	Action Plan Outturn position 2019/20

## Contact Officers

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# Annual Governance Statement (2020/2021)

## 1.0 Introduction

- 1.1 This is the second Annual Governance Statement for Somerset West and Taunton Council.
- 1.2 Everything the Council does is focused around delivering our ambitious vision for Somerset West and Taunton and to ensure that we deliver the best possible services and outcomes for our Community whilst providing good value for our stakeholders
- 1.3 This statement provides an overview of how the Council's governance arrangements operate.
- 1.4 Corporate governance refers to the processes by which organisations are directed, controlled, led and held to account. It is also about culture and values - the way that Councillors and employees think and act.
- 1.5 The Council's corporate governance arrangements aim to ensure that it does the right things in the right way for the right people in a way that is timely, inclusive, open, honest and accountable.
- 1.6 This statement describes the extent to which the Council, has, for the year ending 31st March 2021, complied with its Governance Code and the requirements of the Accounts and Audit Regulations 2015. It also describes how the effectiveness of the governance arrangements have been monitored and evaluated during the year and sets out any changes planned for the 2021-2022 period.
- 1.7 The Statement has been prepared in accordance with guidance produced in 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
- 1.8 The Statement has also been prepared taking into consideration the contents of the CIPFA Bulletin 06 – Application of the Good Governance Framework for 2020/21, which concerns the impact of the continuing Covid-19 pandemic on governance arrangements.

## 2.0 Key elements of governance

- 2.1 Somerset West and Taunton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also has a duty to continuously improve the way that it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

- 2.2 To meet these responsibilities, the Council acknowledges that it has a duty to have in place sound and proper arrangements for the governance of its affairs, including a reliable system of internal control, and for reviewing the effectiveness of those arrangements.
- 2.3 The Governance Framework has been in place at Somerset West and Taunton Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts. The key elements of the Council's governance framework are highlighted in Appendix A.
- 2.4 The Governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of the strategic themes and expected outcomes as set out in our Corporate Strategy.
- 2.5 The Council's Local Code of Corporate Governance, which was last reviewed and approved by the Audit, Governance and Standards Committee on 8 March 2021.
- 2.6 The document included a section on actions for 2021/22 to strengthen the Council's governance arrangements. These actions have been included in the Action Plan which can be found at Appendix B.

<b>Our commitment to good governance is made across the following core principles:</b>
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
B. Ensuring openness and comprehensive stakeholder engagement
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
D. Determining the interventions necessary to optimise the achievement of the intended outcomes
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
F. Managing risks and performance through robust internal control and strong public financial management
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

### 3.0 Evidence based opinion

3.1 Some of the key pillars of the Council's governance framework are:

#### 3.2 Corporate Strategy & Business Planning

3.2.1 The Council's Corporate Strategy for 2020-24 contains the four priority strategic themes and outcomes, as follows:



3.2.2 The Corporate Strategy helps us to focus our resources and drive improvement, and sets out where we will focus our energies and our increasingly limited resources and how we will measure our success.

3.2.3 An annual plan has been produced which focuses on what the Council has delivered in the 2020/21 year and also to outline the key priorities and areas of focus for the 2021/22 financial year.

3.2.4 The Corporate Performance Report, Quarter 4 and Outturn, 2020/21, which includes a progress update for 2020/21 Annual Plan, went to the Corporate Scrutiny Committee on 7 July 2021.

3.2.5 There is a Business Plan in place for each Directorate and which links in to the Corporate Strategy. The Directorate Plans are regularly reviewed to ensure that they are living documents and pick up and new and emerging priorities. In the 2020/21 financial year this included the Coronavirus Pandemic and the Unitary Councils in Somerset debate.

3.2.6 All Directors meet regularly with their Assistant Directors, Human Resources Business Partner and Finance Business Partner to review their directorate plans.

### 3.3 Evaluating Performance

3.3.1 The Council has a Performance Management Framework in place.

3.3.2 There is a Corporate Performance Scorecard in place, as well as a Performance Scorecard for each Directorate.

3.3.3 The Corporate Performance Management Board has met monthly in the 2020/21 financial year and this includes the Senior Management Team and other appropriate officers. At these meetings standing items include:

- Performance Summary – Corporate Scorecard and Directorate Scorecards
- Budget Monitoring Reports
- Project Management overview
- Corporate Risk and Issues Register
- Audit Actions (not every meeting)
- HR Data (not every meeting)

3.3.4 Quarterly Performance Reports went before Members in 2020/21. These were taken to the Scrutiny Committee and Executive.

3.3.5 The only outstanding action from the 2019/20 action plan relates to the production of a Data Quality Policy. Due to the number of demands that have been placed on the Business Intelligence Team in 2020/21 (mostly due to the collation of data for the priority areas during the Coronavirus Pandemic), this action will carry forward into the 2021/22 action plan.

### 3.4 Managing Risk

3.4.1 The management of risk is key to achieving what is set out in the Corporate Strategy and Directorate Plans to ensure that we meet all of our responsibilities.

3.4.2 Our Risk and Opportunity Management Strategy is fundamental to the system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify risks and to prioritise them according to likelihood and impact. The Risk and Opportunity Management Strategy is reviewed and updated on an annual basis and went before the Audit, Governance and Standards Committee on 1 February 2021.

3.4.3 The Key Business Risk Register is reviewed and challenged by the Senior Management Team on a monthly basis through the Corporate Performance Management Board. New and emerging risks are added to the Register.

3.4.4 All members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important in meeting the Council's financial challenges.

3.4.5 In 2021/22, the Key Business register will be reviewed and challenged by Members as part of the Performance and Risk Report that will go before

Committee on a quarterly basis. This is to ensure that, as far as possible all significant risks have been identified and that the controls manage the risks efficiently, effectively and economically. A report was taken to the Corporate Scrutiny Committee and Executive in May 2021 giving an update on all risks and issues.

- 3.4.6 Whilst a number of actions relating to Risk Management were actioned during 2020/21, some are being carried forward. Quarterly reporting to Members has now started (in the out-turn report for 2020/21), and will be continued each quarter. Risk Management will continue to be embedded across the organisation (particularly through a programme of further training). These items have been carried forward into the Action Plan for 2021/22.

### 3.5 Financial Management

- 3.5.1 The Assistant Director for Finance is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972, and our financial management arrangements are compliant with the governance requirements set out in the Chartered Institute of Public Finance and Accountancy's 'Statement on the Role of the Chief Financial Officer in Local Government' (2016).

- 3.5.2 To fund the Corporate Strategy, the Council prepares a Medium Term Financial Plan. This sets out the Council's strategic approach to the management of its finances and outlines some of the financial issues that we will face over the next three years. This covers how we will use our reserves, our investments, the approach to Council Tax, and how we will deploy our capital. It also looks over the medium term at the cost pressures we are likely to face and how these could be financed.

- 3.5.3 The COVID-19 pandemic led to a significant increase in financial risks and uncertainty, as well as significant additional costs for the Council and its services. The Senior Management Team have adapted the financial strategy and budget control regime flexibly through the year to mitigate risk and support the Council's priorities in response. We have managed the impact and maintained the Council's financial resilience through this turbulent time.

- 3.5.4 Our Treasury Management arrangements, where the Council invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review.

- 3.5.5 The Reserves Strategy enables the Council to meet its statutory requirements and sets out the different types of reserve, how they may be used and the monitoring arrangements.

- 3.5.6 Budget monitoring reports are made to the SMT Performance Board on a monthly basis and have been taken to Committees on a quarterly basis during 2020/21, setting out any variances.

- 3.5.7 All members and officers are responsible for ensuring that financial implications are considered in the decisions they take.

- 3.5.8 CIPFA issued a new Financial Management Code (the 'FM Code' in

December 2019. The Council has operated within the principles of the Code through last year, for example with the S151 Officer being a member of SMT from the summer of 2020. A full assessment of compliance with the Code is being undertaken in July/August 2021 and will report to SMT and the Audit and Governance Committee with a summary and action plan in September.

### 3.6 Climate Emergency

3.6.1 The Council declared a Climate Emergency in March 2019.

3.6.2 The Council's Corporate Strategy includes the priority strategic theme of 'Our Environment and Economy' and has the objective of:

**1** Work towards making our District carbon neutral by 2030 - deliver projects based on a Carbon Neutrality and Climate Resilience Plan that work toward this goal (for example installing electric vehicle charging points across the District) .

3.6.3 The Somerset Climate Strategy and Somerset West and Taunton Carbon Neutrality and Climate Resilience Plan were approved by the Council on 26 October 2020.

3.6.4 The Action Plan sets out that the focus will be on:

- District-wide retrofit
- New build and retrofit of existing Council Housing
- Renewable Energy
- Electric Vehicles
- Taunton Park & Ride and Town Centre Parking
- Active Travel
- Re-opening Wellington Station
- Working with Somerset County Council on transport projects
- Digital connectivity
- Growing a carbon neutral local economy
- Green and Blue Infrastructure
- Tree Planting
- Wildflower meadows and open space management
- Coastal change management
- Taunton Strategic Flood Alleviation Improvements Scheme
- Local Plan Review

3.6.5 Officers are now working on delivering the Plan and projects are included in the relevant Directorate Plans.

3.6.6 A report on Carbon Neutrality and Climate Resilience Finance was taken to the Community Scrutiny Committee on 3 June 21. This report set out that 24 actions in the Plan had been completed in the 2020/21 financial year.

3.6.7 All members and officers are responsible for ensuring that climate change implications are considered in the decisions they take.

3.6.8 Climate Change and Environmental Training was rolled out across the organisation in April 2021 and was offered to officers and Members. The training was designed to help individuals to understand their impact on the environment and what they can do to have a positive impact on it.

### 3.7 Decision Making and Responsibilities

3.7.1 The Council consists of 59 elected Members, with an Executive consisting of the Leader and nine Portfolio Holders who are supported and held to account by the Scrutiny Committees.

3.7.2 From 27 April 2020 to 4 May 2021, the Council held virtual committee meetings following the introduction of The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020. This enabled Council business to be conducted as scheduled.

3.7.3 During the 2020/21 financial year, the Council reviewed its governance arrangements and resolved that the Council moved to a Committee system of governance from the Council AGM on 10 May 2022, unless a decision was made to set up a Unitary Council for the area from 2023.

3.7.4 Our Constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and a section on responsibility for functions, which includes a list of functions which may be exercised by officers. It also contains the rules, protocols and codes of practice under which the Council, its Members and officers operate.

3.7.5 The Articles and Terms of Reference within the Council's Constitution clearly define the roles and responsibilities of:

- Full Council
- The Cabinet\*
- Scrutiny Committee
- Audit, Governance and Standards Committee^
- Planning Committee
- Licensing Committee

Note \* - from the start of the 2021/22 Municipal Year the Council has two Scrutiny Committees – Corporate Scrutiny Committee and Community Scrutiny Committee

Note ^ - from the start of the 2021/22 Municipal Year, the Council has split this Committee so that there is an Audit and Governance Committee and a separate Standards Committee.

3.7.6 The Constitution is updated at least annually to take account of changing circumstances. Recent updates to the Constitution have included:

- A Member Champions Protocol
- A Member Working Group Protocol
- A protocol on speaking at Planning Committee Meetings
- Planning Committee Members Code of Good Practice

- Updated Financial Procedure Rules
- Updated Committee Terms of Reference and Procedure Rules following changes to the governance structure (outlined in section 3.7.5).

3.7.7 A Member Working Group has been set up to review the Constitution and any recommendations for change will be made to the Standards Committee and then Full Council.

3.7.8 The Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (Chief Executive) , 'Monitoring Officer' (Governance Manager) and 'Section 151 Officer' (Strategic Financial Advisor and S151 Officer) and explains the role of these officers in ensuring that processes are in place for enabling the Council to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

### 3.8 Openness and Transparency

3.8.1 Article three of the Council's Constitution sets out citizens' rights in respect of:

- (a) Voting and petitions;
- (b) Information;
- (c) Public Participation; and
- (d) Complaints

3.8.2 One petition was presented to the Council in 2020/21.

3.8.3 Agendas and papers for all Committee meetings are published at least five clear working days before the meeting and members of the public are able to participate in meetings through Public Question Time.

### 3.9 Ethical Behaviour and Conduct

3.9.1 Our Codes of Conduct for Members and for Officers set out the standards of conduct and behaviour that are required. They are regularly reviewed and updated as necessary and both groups are regularly reminded of the requirements.

3.9.2 These include the need for Members to register personal interests and the requirements for employees concerning gifts and hospitality, outside commitments and personal interests.

3.9.3 The Council also has an Audit, Governance and Standards Committee which is responsible for promoting and maintaining high standards of conduct by Councillors.

3.9.4 An Audit of ethical behaviour and conduct was carried out in 2020/21 with the Internal Auditor giving a limited assurance opinion. The recommendations arising from this report have been included in the Action Plan in Appendix B.

### 3.10 Member Training and Development

3.10.1 In April 2021, the Executive approved a Member Training and

Development Policy. The also resolved to set up a cross party Members Working Group to focus on Member Training and Development.

3.10.2 All Councillors have been invited to have a one to one session to talk about personal development so that any training and development needs can be identified. This information will then feed into a Training Plan which will be considered by the Member Training and Development Working Group.

3.10.3 Regular Member Briefings are held to keep them updated on matters of importance.

3.10.4 Where possible and appropriate, Members have received specific training and development for their roles and any positions of special responsibility. Due to the Coronavirus Pandemic, most of the training in 2020/21 has been held virtually.

### 3.11 Equality

3.11.1 The Council is committed to delivering equality and improving the quality of life for the people of the District. We have nine Corporate Equality Objectives for 2019-2023, which are:

**Objective 1:** Councillors and officers will fully consider the equality implications of all decisions they make.

**Objective 2:** Those with protected characteristics feel empowered to contribute to the democratic process and any Council activity that affects them; their input is used to inform the planning and delivery of services.

**Objective 3:** Communities with protected characteristics are able to access services in a reasonable and appropriate way.

**Objective 4:** Actions are taken to identify and reduce any inequalities faced by our staff or our potential employees.

**Objective 5:** Work with communities and voluntary sector groups to address inequalities experienced by low incomes families and individuals.

**Objective 6:** Improve the opportunities for integration and cohesion.

**Objective 7:** Improve understanding of mental health and access to support.

**Objective 8:** Work with the Gypsy and Traveller community to improve the provision of pitches.

**Objective 9:** Create an Equality Working Group for Staff in the Public Sector in Somerset.

3.11.2 In order to meet these objectives, the Council has a Corporate Equalities Action Plan, which sets out what we are already doing to support each objective as well as actions we will take to deliver against the equality objectives.

3.11.3 Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment to ensure that equality issues have been consciously considered throughout the decision making processes.

3.11.4 All members and officers are responsible for ensuring that equality

implications are considered in the decisions they take.

### 3.12 Procurement of goods and services

3.12.1 The Council recognises the value of considering different service delivery options in delivering our Council Plan. The effective commissioning and procurement of goods, works and services is therefore of strategic importance to our operations, while robust contract management helps to provide value for money and ensure that outcomes and outputs are delivered.

3.12.2 Operational procedures for tendering, contract letting, contract management and the use of consultants are included in the Contract Procedure Rules which form part of the Council's Financial Procedure Rules.

### 3.13 Whistleblowing

3.13.1 People who work for or with the Council are often the first to realise that there may be something wrong within the Council. However, they may feel unable to express their concerns for various reasons, including the fear of victimisation.

3.13.2 The Council has a Whistleblowing Policy that advises staff and others who work for the Council how to raise concerns about activities in the workplace. Full details are provided on the Council's website.

3.13.3 The Whistleblowing Policy was updated in April 2021 and forms part of the Council's Anti-Fraud Framework.

### 3.14 Anti-Fraud Framework

3.14.1 We recognise that as well as causing financial loss, fraud and corruption also detrimentally impact service provision and morale, and undermine confidence in the Council's governance and that of public bodies generally.

3.14.2 The Council has an Anti-Fraud Framework, which adopts a zero tolerance approach to fraud and corruption. This was updated in April 2021 and includes:

- Anti-Fraud and Corruption Strategy
- Anti-Bribery Policy
- Anti-Money Laundering Policy
- Whistleblowing Policy

### 3.15 Audit and Audit Assurances

3.15.1 South West Audit Partnership (SWAP) are the Council's Internal Auditors.

3.15.2 During the 2020/21 financial year, SWAP have carried out a number of Audits across the Council and given their opinion on the level of assurance as well as risk and priority in terms of taking action in terms of any recommendations, as follows:

Internal Audit Assurance Opinions 2020/21 *		Internal Audit Agreed Actions 2020/21*	
<b>Substantial</b>	<b>0</b>	<b>Priority 1</b>	<b>1</b>
<b>Reasonable</b>	<b>4</b>	<b>Priority 2</b>	<b>19</b>
<b>Limited</b>	<b>3</b>	<b>Priority 3</b>	<b>24</b>
<b>No Assurance</b>	<b>0</b>	<b>Total</b>	<b>44</b>
<b>Advisory / Follow Up</b>	<b>15</b>		

Note \* - final reports only

Assurance Definitions	
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Non-Opinion/Advisory</b>	In addition to our opinion-based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

Definition of Corporate Risks	
Risk	Reporting Implications
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

3.15.3 The three limited assurance Audits related to Ethical Governance and Culture, Procurement and DLO External Work – Income. The recommendations from each of these Audits have been added to the Audit recommendation tracker and this is monitored on a regular basis by the Corporate Performance Management Board and the Audit and Governance Committee. SWAP have also scheduled follow ups to be completed for each of these Audit areas in 2021/22 to provide assurance that control measures have been improved.

3.15.4 SWAP report regularly to the Audit, Governance and Standards Committee, highlighting any areas of concern.

3.15.5 Any overdue actions are also reported to the Audit, Governance and Standards Committee.

3.15.6 During the 2020/21 financial year a number of additional audits were performed to carry out assurance work on new risks associated with the Covid-19 pandemic. These included:

- Covid-19 Business Grant Support/Advice (Grant Process Controls)
- Grant Funding Schemes Assurance for Local Authorities (Risk

Assessment)

- Local Restriction Grant Support (Grant Process Controls)
- Compliance and Enforcement Grant
- Fraud Risk – Impact of Covid-19

3.15.7 As a result of the Coronavirus Pandemic, some of the audit work scheduled for 2020/21 has had to be carried forward to 2021/22. The reasons for this are the request for additional work from SWT, and also the redeployment of some of the SWAP staff to support the Council's response to the pandemic.

3.15.8 The Annual Opinion of the Internal Auditor was '*on the balance of our 2020/21 audit work for Somerset West and Taunton Council, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.*'

#### **4.0 Reflecting on the challenges from the Coronavirus Pandemic**

4.1 This section considers the impact that the Covid-19 Pandemic has had on the Council and its governance arrangements during the 2020/21 financial year.

4.2 The Council has taken action to play its part in dealing with the Coronavirus Pandemic during the 2020/21 financial year.

4.3 Since the start of the Pandemic in March 2020, the Council has operated with some level of emergency response arrangements, in line with the principles laid out in the generic emergency plan, to provide an effective structure to coordinate and support the delivery of our critical services both during the initial outbreak and into the more recent phases of response and recovery. These arrangements have been scaled up or down relative to the level of local infection, response and impact of Covid-19 on the district. As a minimum this has included:

- Regular gold meetings have taken place when appropriate (at the start of the pandemic these were held twice a day and then daily) to discuss Risks, Actions, Issues and Decisions and ensure that these have been recorded.
- Resources have been diverted to focus on delivering the priorities of:
  1. Preserve critical services;
  2. Safeguard the public; and
  3. Ensure our most vulnerable residents are supported.
- Regular silver meetings have taken place, as and when appropriate (at the start of the pandemic these were held more frequently) to focus at more in depth service level.
- Partnership working with other relevant organisations and community resilience cells to ensure that data was used to ensure a joined up approach in supporting the most vulnerable people in the district

4.4 Therefore Covid-19 has impacted on business as usual in the delivery of some services.

4.5 Social distancing measures have had a significant impact on the Council's governance arrangements. MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority and police and

crime panel meetings held between 4 April 2020 and 6 May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public. The Council, therefore, put arrangements in place to hold meetings virtually, allowing Members to fully engage in taking key decisions and allow for public participation.

- 4.6 Since April 2020, all of our Committee meetings have been webcast live and then made available on our website. Overall attendance at meetings is higher via zoom which enables Members to balance their role with other responsibilities. We have also seen an increase in the number of members of the public that have watched via the webcast rather than coming into the Chamber.
- 4.7 Mobile and flexible working has now become business as usual for many of our staff. This transition was achieved relatively early on during the first lockdown where all staff who could work from home were equipped to do so within the first few weeks. This involved the roll out of Teams in a very short space of time.
- 4.8 Since March 2020, messages have been issued by the Chief Executive and/or Directors on a weekly basis. This has ensured that all members of staff have been kept up to date with pertinent information and key messages. Sessions with the Chief Executive have also taken place via Teams.
- 4.9 A weekly newsletter has been produced since March 2020, which has gone out to all District Councillors as well as Town and Parish Councils. This has kept them up to speed with the key information that they need to know. The newsletter has also included information from key partners, such as the County Council, Police and Fire and Rescue Service. It also had signposted people to sources of funding and information to assist during the Pandemic.
- 4.10 Newsletters were also produced for the Business sector and also the Community and Voluntary Sector.
- 4.11 To keep staff and residents safe, our reception area has not been reopened to the general public yet. Currently we are operating an appointment service. All key services have remained available through a variety of other channels. Where essential, home visits and business inspections are still carried out under Covid-19 secure protocols.
- 4.12 For our customers we have worked hard to ensure they feel comfortable in using the new ways of accessing our services and website. Dedicated webpages have been developed and continue to be updated with relevant information to support residents and businesses throughout the pandemic.
- 4.13 This Statement does not attempt to capture all of the additional work the council has undertaken in the past year in response to the pandemic. In many cases, the response has required setting up completely new services or processes. Among the many measures implemented since restrictions were announced SWT has:

- Distributed more than £65m of business support grants to businesses in our district by end March 21.
- Responded to the 'Everyone In' mandate from government to identify, set up and manage safe self-contained accommodation for rough sleepers in our District. This required the establishment of accommodation at Canonsgrove in Trull and the Beach Hotel in Minehead which, at its peak, was accommodating around 70 people. This project achieved national recognition and has undoubtedly saved and changed lives.
- We supported over 750 of our housing tenants with advice to maximise income and minimise debt, issued food parcels and vouchers toward energy costs.
- Distributed £250,000 in community chest funding to small organisations to help them respond to the pandemic.
- Invested £500,000 to help the town centres of Taunton, Minehead and Wellington with a programme of emergency measures designed to aid these vital social and economic hubs.
- Administered 508 successful awards of Test and Trace self-isolation payments, paying to low income households who were told to self-isolate.
- Implemented the Council Tax Hardship Funding received from central Government and applied payments of up to £150 to 7017 working age Council Tax Support claimants
- Reviewed and extended the awards for 285 Discretionary Housing Payment claims to provide ongoing help to people to pay their rent.
- Recalculated 1,693 Housing Benefit claims providing additional support for people to help pay their rent.
- Provided Business Rate relief to 1,300 qualifying business rate accounts and removed their liability to pay rates for this year.
- Made calls to 3,500 tenants and 600 other potentially vulnerable residents to check if they need help.
- Delivered more than 150 food boxes to people who are shielding and those facing hardship.
- Helped the NHS make Vaccination Appointments; contacting 48,000 people.

### **The funding and logistical consequences of delivering the local government response**

- 4.14 The ongoing Covid-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. The financial impact will be due to both unforeseen but necessary expenditure and reduced income from fees and charges, Council Tax and Business Rates.
- 4.15 The impact varies by area, dependent on factors such as geography, demographics, services delivered and the nature of the local economy. However to a large extent, it will depend on if and how quickly the national and local economies return to normal levels of activity. The impact for SWTC was summarised in the Financial Outturn report to Executive 21 July 2021.

- 4.16 To offset the additional financial pressures being faced by Local Government, the Government has provided the following support:
- **Additional grant funding** emergency funding has been provided in five tranches during 2019/20, 2020/21 and 2021/22 plus additional general funding protection through the 2021/22 Finance Settlement through Lower Tier Services Grant.
  - **Sales, fees and charges scheme** - compensation for reductions in income in 2020/21 and the first three months of 2021/22
  - **Council Tax and Business Rates Losses** - to fund 75% of irrecoverable losses in council tax and business rates in 2020/21
  - **Local Council Tax Support Grant** - a new grant for 2021/22 to compensate authorities for the expected additional cost of Local Council Tax Support schemes in 2021/22
  - **National Leisure Recovery Scheme** - to support leisure facilities It is unclear at this stage whether this funding will be sufficient to offset all of the financial pressures and Local Government continues to lobby for further funding to be made available.

#### **Assessment of the longer term disruption and consequences arising from the coronavirus pandemic**

- 4.17 It is essential that the Council focuses on the likely impact that the crisis, and its aftermath, will have on income levels both now and potentially into the future.
- 4.18 The Covid-19 crisis is likely to be long-lasting and far reaching, affecting more than one financial year. It could be difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially if the local economy is in recession.
- 4.19 This means that the assumptions underlying later years in the MTFP will almost certainly need to change, making the 'funding gap' for 2021/22 and beyond larger. Contingencies have been included in the 2021/22 budget and the Council's reserves increased to provide additional mitigation for the increased risk.
- 4.20 In terms of the impact of the Coronavirus pandemic on the Council's Corporate Strategy Annual Plan, the outturn report that went to the Corporate Scrutiny Committee on 7 July 2021, identified that out of 28 Annual Plan commitments for 2020/21, only 5 were off target and in 4 of those cases this was down to the pandemic.
- 4.21 In overall summary, the Council and its governance framework were able to be agile to deal with the Covid-19 pandemic. This is confirmed by a recent customer survey where the public and businesses were very positive about the services provided by the Council.

#### **5.0 Significant governance issues**

- 5.1 At the current time, there are no significant governance issues but a number of recommendations for improvement are set out in Appendix B. The action

plan details the governance issues that have been identified, the proposed action, the responsible officer and the target date for completion.

5.2 The system of Governance (including the system of Internal Control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated. The review highlighted no areas as representing a significant weakness in Governance or Internal Control during 2020/21.

## 6.0 Conclusion

6.1 Currently we can provide reasonable assurance that the Somerset West and Taunton Council's governance arrangements are fit for purpose.

6.2 However, addressing the issues set out in the Action Plan (Appendix B) will further improve the Council's arrangements.

### Signed



.....  
James Hassett  
Chief Executive Officer  
Date:

.....  
Cllr Federica Smith-Roberts  
Leader of the Council  
Date:

## APPENDIX A - CORPORATE GOVERNANCE FRAMEWORK

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

### Key Documents: Annual Review/Production:

- Annual Governance Statement
- Annual Statement of Accounts
- Directorate Plans
- Committee report procedure
- Constitution
- Corporate Plan
- Performance Report
- Corporate Risk Register
- Delegations from/to Senior Management Team
- Equality Information
- Medium Term Financial Plan
- Members Allowances Scheme
- PSIAS Checklist
- Capital, Investment and Treasury Management Strategy

### Key Documents: Ad-hoc Review/Production:

- Corporate Strategy 2019-2023
- Anti-Fraud Policy Framework
- Business Continuity Plans
- Community Engagement Framework
- Declarations of Independence
- Financial Procedure Rules
- Contract Procedure Rules
- Health and Safety Policies
- Information Governance Framework
- Member/Officer Relations Protocol
- Members' Code of Conduct
- Officer Employment Procedure Rules
- Officers' Code of Conduct
- Record of Decisions
- Risk & Opportunity Management Policy
- Whistleblowing Policy

### Contributory Processes/ Regulatory Monitoring:

- Audit, Governance and Standards Committee
- Budget Monitoring Process
- Corporate Performance Management Board
- Corporate Health & Safety Committee and processes
- Corporate Intranet
- Council Tax leaflet
- Customer feedback process
- External Audit
- Joint Independent Remuneration Process
- Internal Audit
- Job Descriptions
- Job Evaluation Process
- Law & Governance
- Member Training Scheme
- Monitoring Officer & S151 Officer
- Partnership Arrangements
- Schedule of Council meetings
- Scrutiny Framework
- Staff Induction



## Appendix B – Annual Governance Statement Action Plan

Issue Identified	Action to be taken	Lead Responsible Officer	Deadline
<b><i>Corporate Governance</i></b>			
The Constitution should be reviewed and amended to make it more user friendly and clearer to use.	The Monitoring Officer to review the various sections of the Constitution and then to take reports forward to the Constitution Working Group for consideration.	Governance Manager and Monitoring Officer	31/12/21
The procedure for dealing with complaints about Councillors needs to be reviewed and updated	Review and update the procedure for dealing with complaints about Councillors	Governance Manager and Monitoring Officer	31/10/21
The information on the Council website relating to complaints about Councillors needs to be reviewed and updated	Review and update the information on the Council website in respect of complaints about Councillors	Governance Manager and Monitoring Officer	31/09/21
The Officer Scheme of Delegation needs to be reviewed following the revision to the directorate structures	The Monitoring Officer to send each Assistant Director the Officer Scheme of Delegation to review for their area and to ensure that the legislation is still current and relevant	Governance Manager and Monitoring Officer	31/10/21
<b><i>Performance Management</i></b>			
The Council doesn't currently have a Data Quality Policy	Draft a Data Quality Policy	Business Intelligence and Performance Manager	31/12/21

Issue Identified	Action to be taken	Lead Responsible Officer	Deadline
<b><i>Risk Management</i></b>			
Whilst Performance and Finance report have been going before the Scrutiny Committee and Executive on a quarterly basis. This now needs to happen with the Key Business Risk Register	Ensure that there is quarterly reporting to the Scrutiny Committee(s) and Executive on the key business risks	Business Intelligence and Performance Manager	Quarterly from June 2021
The level and detail of risks captured at service level is weak. Some services are piloting the use of service risk registers which feed into the directorate register.	Once the pilot has been completed ensure that the process for service risk registers is rolled out across the whole organisation  Any service risks scoring 15 or more should be included as part of the key business risk register	Business Intelligence and Performance Manager	31/12/21
Staff have not received risk management training recently	Run a number of training sessions for officers on Risk Management, ensuring it aligns to the Risk and Opportunity Management Strategy Currently investigating having modules on risk on the new e-learning platform	Business Intelligence and Performance Manager	30/11/21
<b><i>Openness and Transparency</i></b>			
Currently we do not publish the feedback from complaints on the website	'You said, we did' on the website to demonstrate what we have changed as a result of complaints and feedback	Assistant Director for Customer	30/09/21
Currently this is confusing for Members of the public and we need to change our approach in favour of transparency	Give a better explanation re public interest test v confidential session. Use better wording on agendas and at Committees. Give more information on the website (this is part of the work on the Constitution)	Governance Manager and Monitoring Officer	31/12/21

Issue Identified	Action to be taken	Lead Responsible Officer	Deadline
Information relating to accessing information is currently not in one place on the website or easy to find	Set up a page on the website called 'Access to Information'. This to include Data Protection information including Privacy Statements, Freedom of Information including disclosure log, publication scheme and transparency code requirements	Governance Manager and Monitoring Officer	31/12/21
We do not currently publish our responses to FOI requests	Publish a Freedom of Information Disclosure log on the website	Assistant Director for Customer	30/09/21
<b>Member Training and Development</b>			
Ethical awareness needs to be improved	Ethical awareness training for Councillors at least twice a year	Governance Manager and Monitoring Officer	By 30/09/21 and 31/03/22
Work with the Member Training and Development Group to produce a Members' training plan	Feed the information from the Members training and development requirements into a Member training plan and use this to source future training	Governance Manager and Monitoring Officer	31/10/21
<b>Ethical Standards</b>			
Ethical awareness needs to be improved	Monitoring Officer to send quarterly updates to Officers and members reminding them to declare any interests and gifts & hospitality	Governance Manager and Monitoring Officer	Quarterly from 30/09/21
Ethical awareness needs to be improved	Quarterly ethical update newsletter for Councillors	Governance Manager and Monitoring Officer	Quarterly from 30/09/21
<b>Member Communications</b>			
Members are not currently getting feedback from reps on outside bodies	Gaining information about what the outside bodies are all about is Member Training and Development. Investigate with the Member Training and Development Group how best to ensure that information from reps on outside bodies is captured and disseminated to the wider membership	Governance Manager and Monitoring Officer	31/10/21 Expand and change the focus of the SWT newsletter

Issue Identified	Action to be taken	Lead Responsible Officer	Deadline
<b><i>Policies and Procedures</i></b>			
We do not currently have an up to date Communications Strategy	Communications Strategy to be drawn up	Director of Internal Operations	31/12/21
<b><i>Contracts and Partnership Working</i></b>			
The Contracts Register is out of date	Ensure that the Contract Register is reviewed and updated	Strategic Procurement Specialist	Complete
We do not currently have a register of Partnerships	Ensure that we have a Partnership register	Strategic Procurement Specialist	30/09/21
Officers need to have training in the procurement process	Training for officers on the procurement process. eLearning courses set up to be instigated for service Contract/Project managers and service procurers.	Strategic Procurement Specialist	30/09/21
<b><i>People Management</i></b>			
The Council doesn't currently have a People/Workforce Strategy that aligns with the Corporate Strategy and MTFP	Once the Unitary decision is known, work with colleagues to align a People/Workforce strategy	HR Business Partner	target date to be confirmed in line with Unitary decision
HR Policies and procedures are out of date	Ensure that all HR policies and procedures have been updated to be relevant for SWT. Policies have been re written. Next steps will be a review with Assistant Directors, consultation with UNISON and normal governance.	HR Business Partner	30/11/21
Job descriptions are generic	Job descriptions to be updated to include job related person specifications and wording to make it clear that all staff are responsible for Health and Safety, FOI and Complaints	HR Business Partner	target date to be confirmed in line with Unitary decision
The Induction process needs to be improved	Review and update the Induction process for officers and focus on basic things that all officers need to know and tailored induction for items that are more job specific.	HR Business Partner	31/10/21

Issue Identified	Action to be taken	Lead Responsible Officer	Deadline
<b><i>Community Engagement</i></b>			
We don't currently have an up to date Community Engagement Strategy	Draft a Community Engagement Strategy to include the type of issues that we will meaningfully consult on or involve communities, individual citizens and service users.	Director for Housing and Communities	31/03/22
<b><i>IT Policies and Procedures</i></b>			
IT Policies and Procedures need to be reviewed in light of the change to working arrangements	To carry out a review of all IT Policies and Procedures	IT Manager	End Oct 2021



**Appendix C – Annual Governance Statement Action Plan  
Outturn Position for 2019/20**

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
<b>Corporate Governance</b>			
Now that the Council has been operating for 12 months the Constitution is due to be reviewed	A Member Working Group is set up to work with the Monitoring Officer to review and update the Constitution including the Terms of Reference, Council Procedure Rules, Financial Regulations, Contract Standing Orders, Members' Code of Conduct, Officers' Code of Conduct and Member Officer Protocol	Governance Manager and Monitoring Officer	<b>Not Complete</b> Due to the review of the Council Governance Arrangements and the Unitary debate, an in-depth review of the Constitution has been put on hold. However, a revised recommendation has been added to the 2020/21 Action Plan for the Monitoring Officer to review sections of the Constitution to then take to the Working Group for consideration
The procedure for dealing with complaints about Councillors needs to be reviewed and updated	Review and update the procedure for dealing with complaints about Councillors	Governance Manager and Monitoring Officer	<b>Not complete – carried forward</b> This will be reviewed through the Constitution Working Group
The information on the Council website relating to complaints about Councillors needs to be reviewed and updated	Review and update the information on the Council website in respect of complaints about Councillors	Governance Manager and Monitoring Officer	<b>Not complete – carried forward</b>
The Officer Scheme of Delegation is as up to date as it can be but needs to be amended following the finalising of the staff alignment exercise	Review and update the Officer Scheme of Delegation following the staff alignment into the new Directorates	Governance Manager and Monitoring Officer	<b>Complete</b> The Scheme of delegation was amended following the introduction of the directorate structure. A new action is included for 2020/21 in that the Monitoring Officer now needs to carry out a more in-depth review with each Assistant Director to ensure the information under their areas remains correct and that the most up to date legislation is in the document.

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
<b>Corporate Strategy and Business Planning</b>			
The Corporate Plan is highlevel and aspirational	Produce an Annual Plan which sits below the Corporate Strategy and sets out what the Council will do in the next 12 months	Director for Internal Operations	<b>Completed</b>
There is currently no 'goldenthread' in terms of Corporateand Business Planning and Individual appraisals	<p>Produce Directorate/Service Business Plans whichlink to the Corporate Strategy</p> <p>Ensure that the staff appraisal process includes the'golden thread' so that staff can see how they link to the achievement of the Council's objectives</p> <p>Relaunch of Performance Management in September. Tracking and quality checking will becarried out by the People Business Partners</p>	Director for Internal Operations	<b>Completed</b> Performance Management was relaunched in 2020
Staff are not aware of what theCorporate objectives are	Ensure that staff are reminded of the CorporatePriorities on a regular basis	Senior Management Team	<b>Completed</b> Chief Executive and Directors sessions regularly tell staff about the priorities of the organisation
The Council's doesn't yet have a vision and mission statement	Develop a vision and mission statement for theCouncil	Senior Managem entTeam	<b>Completed</b> - Mission statement is 'Public Service Excellence'
No annual report is produced setting out how the Council has performed against the Corporate Strategy objectives	At the end of each year produce an annual report setting out the Council's achievements against the Annual Corporate Plan targets	Director for Internal Operations	<b>Complete</b>

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
<b>Performance Management</b>			
The Council's Performance Management framework needs to be documented	Document the Performance Management Framework	Business Intelligence and Performance Manager	<b>Complete</b>
The Council doesn't currently have a Data Quality Policy	Draft a Data Quality Policy	Business Intelligence and Performance Manager	<b>Not complete – carried forward</b> Slippage due to Business Intelligence having resources diverted to Covid-19 work
Performance Reporting needs to be improved	Produce a Performance Scorecard for each Directorate	Business Intelligence and Performance Manager	<b>Completed</b>
Reporting on performance, risk and finances needs to be improved	Ensure that Senior Management Team receive monthly reporting on Performance Indicators, key business risks, budget monitoring and progress against internal audit recommendations	Business Intelligence and Performance Manager	<b>Complete</b> Monitored monthly through the Corporate Performance Management Board Meetings
Reporting on performance, risk and finances needs to be improved	Ensure that there is quarterly reporting to the Executive on Performance Indicators, key business risks and budget monitoring and progress against internal audit recommendations	Business Intelligence and Performance Manager	<b>Partially Complete</b> Quarterly reporting on Performance Indicators and Budget Monitoring but key business risks only commenced in Quarter 4 of the 2020/21 financial year
Reporting on performance, risk and finances needs to be improved	Ensure that there is half yearly reporting to the Scrutiny Committee and for them to complete an in-depth review of performance indicators, key business risks and budget monitoring	Business Intelligence and Performance Manager	<b>Partially Complete</b> Quarterly reporting on Performance Indicators and Budget Monitoring but key business risks only commenced in Quarter 4 of the 2020/21 financial year

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
Only overdue priority 1 Audit recommendations are reported to the Audit, Governance and Standards Committee	Ensure that the progress against all Internal Audit recommendations classed as level 1 or 2 are reported to the Audit, Governance and Standards Committee on a quarterly basis	Governance Manager and Monitoring Officer	<b>Complete</b>
<b>Risk Management</b>			
The Corporate Risk Register is currently not reported to Members	Ensure that the any risks scoring 15 or above are reported to the Members on a quarterly basis as part of the Performance and Risk Report	Director of Internal Operations	<b>Partially Complete</b> Reporting on the key business risks only commenced in Quarter 4 of the 2020/21
The level and detail of risks captured at operational and service level is weak	Service risk assessments need to be produced and held in a central repository  Any service risks scoring 15 or more should be included as part of the key business risk register	Director of Internal Operations	<b>Carry Forward</b> Some services are piloting the use of service risk registers which feed into the directorate register. If successful this will then be rolled out across the organisation
Health and Safety risks need to be linked to the Corporate Risk Register	Ensure that Health and Safety risks are identified and held in a central repository  Any H&S risks scoring 15 or more should be included as part of the key business risk register	Health and Safety Officer	<b>Complete</b> Risk Registers were required to be updated by April 2021.
Project risks need to be linked to the Corporate Risk Register	Ensure that Project risks are identified and held in a central repository  Any Project risks scoring 15 or more should be included as part of the key business risk register	Director of Internal Operations	<b>Complete</b> Project and programmes now have consistent framework in place to record risks. These are reported to Directorate Performance Boards where decision is taken as to whether they should be included on Directorate/ Corporate risk register

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
Staff have not received risk management training recently	Run a number of training sessions for officers on Risk Management, ensuring it aligns to the Risk and Opportunity Management Strategy	Director of Internal Operations	<b>Carried Forward</b> This has not happened yet due to Covid, but looking to have modules on risk on the new e-learning platform.
Risk language used throughout the Council is not consistent in all areas, nor is the method of risk assessment or scoring	Internal comms to get the key messages about risk assessment and management across to staff  Carry our risk assessment training for officers that carry out service risk assessments	Director of Internal Operations	<b>Partly Complete</b> The Risk and Opportunity Management Strategy is the corporate document to follow. Consistent messaging links with the action above
There isn't effective challenge from Members on how well Risk Management is working within the organisation	Run Risk Management training for Members	Director of Internal Operations	<b>Completed</b> This will be added to the Member Training and Development Plan to ensure that it is refreshed on a regular basis
<b>Openness and Transparency</b>			
The information on public participation on the website is hard to find and is basic	Review and update the information on the Council website relating to public participation and getting involved in local democracy including how decisions are made at Committee (especially for Planning)	Governance Manager and Monitoring Officer	<b>Complete</b> Information on the website has been updated re public participation during the Covid-19 pandemic. A protocol has been approved by Council for speaking at Planning Committee meetings
Currently we do not publish the feedback from complaints on the website	'You said, we did' on the website to demonstrate what we have changed as a result of complaints and feedback	Assistant Director for Customer	<b>Carry Forward</b> Whilst the Complaint Policy has been amended, we do not yet seem to be doing 'You said, we did' on the website
Currently this is confusing for Members of the public and we need to change our approach in favour of transparency	Give a better explanation re public interest test v confidential session. Use better wording on agendas and at Committees. Give more information on the website	Governance Manager and Monitoring Officer	<b>Carry Forward</b> Monitoring Officer to consider when reviewing the Constitution

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
There is currently no performance data published on the website	Set up a page on the website on performance and ensure that the quarterly reports are available for the public to see	Business Intelligence and Performance Manager	<b>Completed</b>
Information relating to accessing information is currently not in one place on the website or easy to find	Set up a page on the website called 'Access to Information'. This to include Data Protection information including Privacy Statements, Freedom of Information including disclosure log, publication scheme and transparency code requirements	Governance Manager and Monitoring Officer	<b>Carry Forward</b> Monitoring Officer to consider when reviewing the Constitution
We do not currently publish our responses to FOI requests	Publish a Freedom of Information Disclosure log on the website	Assistant Director for Customer	<b>Carry Forward</b>
We do not currently video record or live stream our Committee meetings	Video record and live stream Committee meetings from the start of the new Municipal Year	Governance Manager and Monitoring Officer	<b>Completed</b>
<b><i>Member Training and Development</i></b>			
Ethical awareness needs to be improved	Ethical awareness training for Councillors at least twice a year	Governance Manager and Monitoring Officer	<b>Partly Complete</b> One session took place in November 2020. Action carried forward to the next Action Plan
Need to get feedback from Members on training and development that we currently offer	Invite all Members in for a one to one session to get their feedback on how things have been for them since the May 2019 elections and also to discuss their training and development needs	Governance Manager and Monitoring Officer	<b>Completed</b> All Members were offered the opportunity to have a one to one session and the take-up was about 50%

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
We do not currently have a training policy for Councillors	Produce a training policy for Councillors	Governance Manager and Monitoring Officer	<b>Completed</b> Approved by the Executive in April 202
We don't currently have a Members training plan	Feed the information from the Members training and development requirements into a Member training plan and use this to source future training	Governance Manager and Monitoring Officer	<b>Carried Forward</b> This will go forward to the Member Training and Development Working Group for them to consider
We don't currently have a group set up to focus on training and development	Set up a Member Development Group to focus on training and development	Governance Manager and Monitoring Officer	<b>Completed</b>
We don't currently have the Member Development Charter	Apply for the Member Development Charter	Governance Manager and Monitoring Officer	<b>Not Completed</b> Given that Unitary Somerset is on the horizon, and there are other priority pieces of work – it is suggested that this is no longer classed as an appropriate action at this time
Don't currently record Members feedback	Carry out an annual survey to all Members asking for their views on their working relationships with officers	Governance Manager and Monitoring Officer	<b>Completed</b> Members are now being surveyed every month
<b><i>Ethical Standards</i></b>			
Ethical awareness needs to be improved	Monitoring Officer to send quarterly updates to Officers and members reminding them to declare any interests and gifts & hospitality	Governance Manager and Monitoring Officer	<b>Carried Forward</b>
Ethical awareness needs to be improved	Quarterly ethical update newsletter for Councillors	Governance Manager and Monitoring Officer	<b>Carried Forward</b>

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
<b>Member Communications</b>			
Member communication could be improved – officer to member and member to member	Set up a Member Working Group to focus on IT and Communications	Governance Manager and Monitoring Officer	<b>Completed</b> Being picked up via the IT Forum and Communications will also be considered by the Member Training and Development Working Group
Members are not currently getting feedback from reps on outside bodies	Continue to send the weekly newsletter for Members and include sections on local ward matters and updates from outside bodies	Governance Manager and Monitoring Officer	<b>Carried Forward</b> As this links in with Member Learning and Development – to be considered by the Member Training and Development Working Group
<b>Policies and Procedures</b>			
Policies are in need of review and update	Review and update the: Whistleblowing Policy Anti-Bribery Policy Anti-Fraud Strategy Anti-Money Laundering Policy	Governance Manager and Monitoring Officer	<b>Completed</b> Approved by the Executive in April 2021
The Complaints process needs to be reviewed in accordance with new Directorate Structure	Review complaints process - do we want to go back to a two stage process with the first stage being the Service Manager and second stage being Assistant Director	Assistant Director for Customer	<b>Completed</b>
We do not currently have an up to date Communications Strategy	Need to draft a Communications Strategy	Director of Internal Operations	<b>Carried Forward</b>
<b>Contracts and Partnership Working</b>			
We do not currently have an up to date Procurement Strategy	Need to draft a Procurement Strategy	Strategic Procurement Specialist	<b>Completed</b>
The Contracts Register is out of date	Ensure that the Contract Register is reviewed and updated	Strategic Procurement Specialist	<b>Carried Forward</b>

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
We do not currently have a register of Partnerships	Ensure that we have a Partnership register	Strategic Procurement Specialist	<b>Carried Forward</b>
The SHAPE Legal contract needs to be reviewed and updated	Review the partnership arrangements with SHAPE Legal	Governance Manager and Monitoring Officer	<b>On hold</b> Given that Unitary Somerset is on the horizon, this will be revisited once the position is clear
Officers need to have training in the procurement process	Training for officers on the procurement process	Strategic Procurement Specialist	<b>Carried Forward</b> eLearning courses set up to be instigated for service Contract/ Project managers and service procurers
<b>People Management</b>			
The Council doesn't currently have a People/Workforce Strategy that aligns with the Corporate Strategy and MTFP	Develop a People/Workforce strategy	HR Business Partner	<b>Not Completed</b> COVID activity has delayed progress with this and is now being aligned with the Unitary decision
HR Policies and procedures are out of date	Ensure that all HR policies and procedures have been updated to be relevant for SWT	HR Business Partner	<b>Carried Forward</b> Policies have been re-written. Next steps will be a review with Assistant Directors, consultation with UNISON and normal governance.
Job descriptions are generic	Job descriptions to be updated to include job related person specifications and wording to make it clear that all staff are responsible for Health and Safety, FOI and Complaints	HR Business Partner	<b>Carried Forward</b> New target date to be confirmed in line with Unitary decision
There needs to be a Corporate Training plan	Produce an overarching training and development plan focusing on mandatory training, CPD training and other training	HR Business Partner	<b>Completed</b>

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
The Induction process needs to be improved	Review and update the Induction process for officers and focus on basic things that all officers need to know and tailored induction for items that are more job specific.	HR Business Partner	<b>Carried Forward</b> In progress. Corporate induction has been updated job specific inductions improvements
We currently do not have a corporate appraisal process (forming the 'golden thread')	Appraisals - have a corporate approach and ensure that they focus on the Council's values and behavioural framework as well as tasks	HR Business Partner	<b>Completed</b>
Survey staff to get a picture as to how staff are feeling	Carry out annual staff survey and then communicate to staff what actions will be taken as a result of the feedback	HR Business Partner	<b>Completed</b>
<b>Community Engagement</b>			
We don't currently have an up to date Community Engagement Strategy	Draft a Community Engagement Strategy to include the type of issues that we will meaningfully consult on or involve communities, individual citizens and service users.	Director for Housing and Communities	Carried Forward
We do not currently publish feedback on consultation on the website	When we carry out consultation need to ensure that the results of the consultation are published on the website along with how this has been taken into account by the Council	Director of Internal Operations	<b>Completed</b> New consultation toolkit
We do not currently ask the public for their views on the Council	Carry out an annual customer survey	Director of Internal Operations	<b>Completed</b>
<b>Project Management</b>			
Our current processes and procedures for managing projects need to be improved	Review the processes and procedures in place to manage projects including a robust business case, performance measures, risk assessment and logs and benefits realisation	Director of Internal Operations	<b>Completed</b> Implemented a Programme Management Office approach to ensure we have adequate processes to manage projects & programmes at all stages

<b>Issue Identified</b>	<b>Action to be taken</b>	<b>Lead Responsible Officer</b>	<b>Outturn Position</b>
Project Management needs to be led corporately by a dedicated officer	Ensure that the Project Management Office (PMO) function is delivered at a Corporate level	Director of Internal Operations	<b>Completed</b> We now have a dedicated PMO officer
<b>Finance</b>			
The structures on E5 are out of date	Ensure that the way the finance system is set up aligns with the new Directorates structure	Assistant Director for Finance	<b>Completed</b>
Budget monitoring does not currently go before Members on a quarterly basis	Ensure that budget monitoring reports go before Members on a quarterly basis	Assistant Director for Finance	<b>Completed</b>
The MTFP needs to be amended as a result of Coronavirus	Ensure that the MTFP is reviewed and updated to take account of the reduced income streams and potential increase in expenditure	Assistant Director for Finance	<b>Completed</b> MTFP being regularly reviewed by SMT and reports to Members
<b>Internal Audit Reports</b>			
The Payroll Audit Report only gives partial assurance	Ensure that recommendations set out in the report are delivered within the timescales set out	Director for Internal Operations	<b>Completed</b>
The Information Management Project Audit Report only gives partial assurance	Ensure that recommendations set out in the report are delivered within the timescales set out	Director for Internal Operations	<b>Completed</b>
The Banking Arrangements Audit Report only gives partial assurance	Ensure that recommendations set out in the report are delivered within the timescales set out	Assistant Director for Finance	<b>Completed</b>
The Treasury Management Audit Report only gives partial assurance	Ensure that recommendations set out in the report are delivered within the timescales set out	Assistant Director for Finance	<b>Completed</b>
The Main Accounting System Audit Report only gives partial assurance	Ensure that recommendations set out in the report are delivered within the timescales set out	Assistant Director for Finance	<b>Completed</b>
The Debtors Audit Report only gives partial assurance	Ensure that recommendations set out in the report are delivered within the timescales set out	Assistant Director for Customer	<b>Completed</b>

Issue Identified	Action to be taken	Lead Responsible Officer	Outturn Position
<b><i>IT Policies and Procedures</i></b>			
IT Policies and Procedures need to be reviewed in light of the change to working arrangements	To carry out a review of all IT Policies and Procedures	IT Manager	<b>Carried Forward</b>