

## 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)

