

SWT Audit and Governance Committee - 12 December 2022

Present: Councillor Janet Lloyd (Chair)

Councillors Ed Firmin, Simon Coles, Hugh Davies, Tom Deakin, Marcus Kravis and Steven Pugsley

Officers: Amy Tregellas, Mike Barter, Paul Fitzgerald, Jackson Murray, Alastair Woodland, James Barra, Ian Candlish, Sean Papworth and Malcolm Riches. John Dyson and Dan Povey (Grant Thornton) attended on Zoom.

(The meeting commenced at 6.15 pm)

114. Apologies

Apologies were received from Councillors Lee Baker, Dawn Johnson and Terry Venner.

Councillor Andy Milne was absent

115. Minutes of the previous meeting of the Audit and Governance Committee

The Committee **resolved** to approve the minutes from the Audit and Governance Committee meeting held on 7th November 2022.

(proposed by Cllr Janet Lloyd, seconded by Cllr Simon Coles)

116. 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 Interest	Reason	Action Taken
Cllr S Coles	All Items	SCC, Taunton Charter Trustee & Shadow Taunton Town	Personal	Spoke and Voted
Cllr H Davies	All Items	SCC	Personal	Spoke and Voted
Cllr T Deakin	All Items	SCC, Taunton Charter Trustee & Shadow Taunton Town	Personal	Spoke and Voted
Cllr M Kravis	All Items	SCC & Minehead	Personal	Spoke and Voted
Cllr J Lloyd	All Items	Wellington & Sampford Arundel	Personal	Spoke and Voted

No other declarations of interest were received.

117. **Public Participation**

No members of the public had requested to speak on any item on the agenda.

118. **Audit and Governance Committee Forward Plan**

The Committee were advised that the outstanding queries relating to the March 2023 meeting had been resolved and reflected in the forward plan.

During the debate, discussion took place around:

- Why the next meeting of the Committee does not take place until March 2023. Officers confirmed that the schedule of meetings for the Audit and Governance Committee fits around the statutory items that they are required to consider and sign off.

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

(proposed by Cllr Simon Coles, seconded by Cllr Janet Lloyd)

119. **Audit and Governance Committee action/recommendation tracker**

Amy Tregellas, Governance Manager and Monitoring Officer updated the Committee on the items relating to Member training and development and the Statutory override for infrastructure assets:

- **Member Training and Development**
Colleagues at Somerset County Council (SCC) have confirmed that Member training for the new Council will cover the specialist areas of Audit, Standards, Planning and Licensing. The training will include detailed training for those members who sit on the committees and any substitutes. Some training will be delivered by external specialists, i.e. for Licensing. Appointments have been sent out to all Members for a series of briefings around the Medium Term Financial Plan (MTFP) and budget setting process in the build up to the final budgets going to Full Council in February 2023.
- **Statutory override for infrastructure assets**
The Statutory Override has been set before Parliament for implementation on 25 December 2022. Officers in the Finance Team are working through the detail with colleagues at Grant Thornton in order to affect an appropriate and early resolution so that the accounts may be signed off. At this stage, it is anticipated that there will be no significant issues that will delay the process and Statement of Accounts from being signed off in early January 2023.

The Committee **resolved** that the Audit & Governance Committee action tracker be noted.

(proposed by Cllr Steven Pugsley, seconded by Cllr Tom Deakin)

120. **SWAP Owners Meeting**

It was confirmed that Councillor Lee Baker would attend the SWAP Owners meeting on Thursday 15th December at 2pm.

121. **External Audit Annual Report 2021/2022**

Jackson Murray from Grant Thornton introduced the report:

- The report relates to the 2021/22 financial year.
- In last year's report there was a key recommendation relating to the risks around commercial investment. This has not been included in the report this year due to the action that has been taken by the Council to mitigate the risk and also due to the fact that Grant Thornton recognises that in just over three months' time Somerset Council will be constituted.
- Some recommendations are more forward looking and relate to Local Government Reorganisation and the transition to the new Unitary Council
- There is similar commentary relating to Local Government Reorganisation reflected in four out of the five authorities covered by Grant Thornton.

During the debate, discussion took place around:

- Whether the external auditor felt there would be any friction with the Council Grant Thornton do not audit, in terms of getting everything completed and signed off by 31 March 2023. The officer confirmed that he did not know how far through the process the other auditor was and couldn't give any further detail.
- The statement on page 60 stating that Grant Thornton were currently not able to issue an audit opinion on the councils financial statements due to national accounting issue on infrastructure assets, and whether that was the same issue discussed when considering the audit tracker. The officer confirmed that it was the same issue.

The Committee **resolved** to approve the recommendations in the report:

2.1 The Committee is recommended to note the Auditor's Annual Report in respect of 2021/22 and the recommendations recorded therein

2.2 The Committee is recommended to note and endorse management's proposed responses and actions in adopting the recommendations made by the Auditor.

(proposed by Cllr Stephen Pugsley, seconded by Cllr Ed Firmin)

122. **External Audit Progress Report and Sector Update**

Jackson Murray from Grant Thornton introduced the report:

- Confirming that this was their usual report on progress and sector update.
- Pages 69 and 70 cover what Grant Thornton regulators are saying about their work on the financial statements. Important that the Committee can be assured that the work of Grant Thornton is being audited
- Page 70 also reflects on the latest Public Sector Auditor Appointments (PSAA) procurement which will come into effect from the 2023/24 financial year
- Page 72 talks about Department of Levelling Up, Homes and Communities (DLUHC) response to some of the recommendations in the Redmond review. The first bullet point talks about making an independent member on the Audit Committee - a recommendation for all Audit Committees. It won't come into effect for this Council, but it is one to be aware of for the new Somerset Council moving forwards. DLUHC will likely legislate for this in the future.

During the debate, discussion took place around:

- Whether the independent member means independent of a political party or an independent outside person. It was confirmed that it would be someone independent from the Council and not political. Officers confirmed that this would be similar to the independent members that previously sat on the Audit, Governance and Standards Committee, but that the person would need to have finance knowledge or expertise.
- Whether the independent person would have to be somebody that had not worked for that authority for 5 years. It was confirmed that this information is likely to be set out in the legislation and guidance to be provided by DLUHC.

The Committee **resolved** to note the Progress Report and Sector Update received from Grant Thornton.

(proposed by Cllr Janet Lloyd; seconded by Cllr Simon Coles)

123. **Internal Audit Progress Report 2022/2023**

Alastair Woodland, Assistant Director from SWAP presented the report:

- Quarterly update on the Internal Audit plan
- Page 84 gives an update of the reviews completed since the last update in September. One limited assurance audit and one follow up audit but also worth noting there are some good levels of assurance in some key areas, e.g. substantial assurance in accounts receivable and also generation programme governance.
- Page 87 The reviews to be delivered in quarters 3 and 4 have been agreed with senior management. This will influence the annual opinion coming to the Committee in March 2023.
- Page 89 Appendix B gives an overview of the audit plan to date, reviews that have been completed and the assurance ratings and recommendations.
- Page 92 table 2 – Local Government Reorganisation (LGR) forms part of the internal audit work this year. Price Waterhouse Coopers (PWC) are the main assurance provider but there are a number of support pieces of work being carried out by SWAP, mainly relating to IT and other key areas. One area is LGR risk management to ensure it is working effectively in LGR, and the other

critical one is Business Continuity Planning (BCP) to make sure services are well prepared for vesting day.

- Page 94 covers the limited assurance opinion for information security policy and awareness following cyber security framework review. Further work was needed on this area, and significant work has been undertaken in this area to improve the issues. 3 main areas - the information security framework has been updated and new policies and procedures have been approved relating to access control, acceptable use, information transfer and patch management. Training and awareness has improved with four dedicated information security training modules being devised. In respect of information governance there is greater clarity on roles and responsibilities of individuals. Management have provided the update and because of these actions, controls in those areas should be improved.
- Page 95 gives details of the Health and Safety follow up report. The committee has had regular updates from officers and progress has been made in that area. The review highlights good progress in this area, reducing the risks to the authority.

During the debate, discussion took place around:

- Whether the wording on page 94 was due to being so close to the new Council coming into place 'since this activity is currently ongoing and hence information security (IS) arrangements are subject to change, it was agreed that it provided little value to the Council to start a new review'. It was confirmed that this was correct and that it is subject to change from 1 April 2023 due to new policies and procedures being created for the new authority.
- How involved SWAP are likely to be with the new Unitary Council? The Officer confirmed that SWAP will be very involved. The Audit Plan for the new Council is being drafted and will go before the Audit Committee at Somerset County Council (SCC) for approval in March 2023. That will identify all the risk themed areas carried forward from this Council. It was confirmed that there will still be great change over the next two or three years and that SWAP will have a role to play including keeping the Audit Committee involved.
- Whether there is an update on the risk management and business continuity work being carried out as part of LGR work. Currently the update report lists no opinion as they are in progress. The officer confirmed that the report on Risk Management had been issued today and that it had been as a result of a request from the programme director at the end of October to carry out the review. The audit work was carried out in November and there is nothing adverse coming out of the review, other than some minor areas for improvement. Business Continuity Plans are being picked up in quarter 4 to ensure that services have plans in place for day 1 – 1 April 2023. Services have been set a deadline of 15th January 2023 to complete those plans.
- Whether the Auditor was confident that the audits listed as in progress or not yet started would be completed during 2022/23, or if there is likely to be slippage. The Officer confirmed that the work programme had been designed to ensure that all audits are completed by the end of February to feed into the annual opinion report which will come to the committee in March 2023. If work is still in train, an assessment will be made on the stage it is at and the value of it continuing post 1 April 2023, and whether to draw a line under it or limit

it's scope. The officer confirmed that a number of the audits have moved forward since the report was written.

- Whether any incomplete audits would hand over to the new Council so that the work can carry on post 1 April 2023. The officer confirmed that it will depend on what it is. Work is ongoing to produce a completely new risk assessment which will feed into the Internal Audit Annual Plan and inform priority areas for review. Outcomes from the work in 2022/23 will feed into that risk assessment. The Plan will be discussed with the Senior Management Team before it goes to the SCC Audit Committee for approval in March 2023.

The Committee **resolved** to note the progress made in delivery of the 2022-23 internal audit plan and significant findings since the previous update in September 2022.

(proposed by Cllr Janet Lloyd; seconded by Cllr Simon Coles)

124. **Summary of Level 1 and 2 Audit Actions Report**

Malcolm Riches, Business Intelligence and Performance Manager presented the report:

- Update on progress around priority 1 & 2 audit actions as at the end October 2022.
- Two audit reports - Health and Safety and Purchasing Cards were all priority 1 and 2 actions have been completed since the last report.
- Seven audit actions have been completed, with the details for those in Appendix 2
- Currently no overdue audit actions that have gone beyond their current target date.
- Five audit actions currently open which have a due date in the future - have added their current status into Appendix 2 and all of them are showing as Green.

During the debate, discussion took place around:

- A request for more information on the priority 1 and 2 audit actions relating to the material supplies audit on page 101. The Officer confirmed that there were five actions identified, three of those have been actioned and closed. The other two are still open and Appendix 2, page 104 gives a current progress report.
- Whether the issue around basic items on the van inventory has had any effect on the ability of work to be undertaken on Housing Revenue Account homes. The officer confirmed that the issue raised by audit was the need to implement an effective system to record and the stock impress van stock. This work is still in progress with a likely completion date before Christmas. Work has been done to list what should be stocked on the vans for specific trades.
- Whether the audit action of completing a physical count of all stock levels would be achieved when it has the date of end April 2023, which is post vesting day for the new Council. The officer confirmed that an interim

stocktake has already been completed ahead of the annual one, to understand what stock is on the shelf and on our system and vice versa.

The Committee **resolved** to note the progress being made with audit actions, and that there are currently no overdue audit actions.

(proposed by Cllr Janet Lloyd; seconded by Cllr Stephen Pugsley)

125. **Treasury Management 2022/2023 Mid Year Review**

Paul Fitzgerald, Assistant Director – Finance presented the report:

- It covers the Council's Treasury Management arrangements and performance for the first six months of the year.
- Primary objectives are to identify and manage risk whilst looking after the Council's money, ensuring delivery of the objectives agreed by Full Council in March 2022.
- Fixed rates are in place for borrowing requirements, through to the new unitary. All borrowing for 2022/23 has been undertaken, and as the rates are fixed, this protects the Council from the rise in interest rates.
- The LGR Finance Workstream are considering alternative financing options based on future investment and borrowing requirements of the new Council following the amalgamation of the districts and county councils.
- The spread of investment types has been maintained and there has been a move towards internal borrowing to reduce exposure to investment losses. Cash has been used to reduce the amount of borrowing needed. That's an effective treasury management approach to reduce the risk.
- Economically, it is a period of high inflation and looming uncertainty and likely recession, and that has impacted our Treasury investments in a couple of different ways. Investments in pooled funds and property have seen valuations reduced, impacting on the investment return particularly due to the drop in capital values. On the flip side, there has been an uplift in cash and liquidity investments. Balance in our investment approach - some things have gone up and some things have gone down. That has managed to protect and spread the risk.
- Within the report there are graphs which give context to our approach. 6.12 on page 111 shows that the base rate has accelerated more quickly than the costs of our borrowing.
- As the committee will look for assurance on performance against the strategy, some prudential indicators set out the ways that we can demonstrate risk is being managed effectively reducing our exposure to our spread of investment and credit risk and meeting our needs to borrow as well.
- Pleased to report we continue to show a consistent compliance with those metrics and measures which should give you as a committee some assurance in terms of performance.

There was no debate or questions relating to this report.

The Committee **resolved** to note the Treasury Management position as at 30th September 2022 and compliance with the Prudential Indicators.

(proposed by Cllr Janet Lloyd; seconded by Cllr Ed Firmin)

126. **Health and Safety Update**

Sean Papworth, Assistant Director – Corporate and Mike Barter, Health and Safety Business Partner presented the report:

- Quarterly health and safety update
- In terms of the performance scorecard (page 140):
 - Year to date - 28 accidents, 26 incidents and 19 near misses. Most common type of accident remains slips, trips and falls. 9 so far this year - 5 members of the public and 4 employees.
 - Incident frequency has dropped off markedly over the last three months. Near miss reporting has increased significantly likely due to the introduction of assure software system which has made reporting easier and significantly increased the engagement of staff.
 - Safety Action Notices have been issued for failed risk assessment or no risk assessment or failure to report incidents - contractors have been the main recipient of these in the last three months.
 - Managers have recently completed a lone worker risk assessment which resulted in 29 staff being identified as high risk.
 - Contractors - some work with managers to ensure they are going through the right process to vet contractors to ensure they are safe to work with us.
 - We've had two RIDDORs since September. One was for a 7 day absence for a back injury and one was for an asbestos release when working on a void property. This was reported to the HSE and a Safety Action Notice was issued.
 - Continuing regular unannounced audits of contractors
 - Continuing to build links with HR around occupational health issues relating to staff.
- Entering the end phase of the Improvement programme following the audits in 2021. The audit actions have all been completed with the exception of the full implementation of the Assure Health and Safety system. Other than the system, a small amount of risk and policy work remains.
- Next module of Assure will be available shortly giving access to dynamic risk assessments that can be completed in the field. It will also give the opportunity to report hazards.
- Third module of Assure will launch after Christmas, which relates to contractor management, giving officers prompts to ensure they have the right documents when contractors are set up.
- Business as usual - driving improvement in the culture and people being more proactive. Starting to see that people are coming to the Health and Safety team frequently with questions ahead of works. Examples of mitigating risks before they become risks which is testament to the culture we being built.

During the debate, discussion took place around:

- The good piece of work identifying members of staff who are high risk lone workers.

- Whether the person that injured their back would require further training. The officer confirmed that the individual and their team are all fully trained and have regular manual handling training. The Health and Safety Team look at statistics in teams and act accordingly if there is a pattern suggesting more manual handling training is needed.
- Whether any accidents, slips or trips have taken place at the Norton Firtzwarren site where work is taking place to create a football pitch and tennis courts beside the playing field. The officer confirmed that none of the accidents reported related to that site and that the engaging manager is being very proactive with managing the risk for that site.
- What sort of roles were the 29 lone workers where lone working is an issue. The officer confirmed that the main roles have been on the lettings and estates teams. Teams that are out there and could face awkward scenarios with customers. They are the main ones. Also, Environmental Health who could be out in the middle of nowhere taking samples.
- Red cards to contractors and whether that means they are off the job, and we have a situation where we are looking for another contractor? The officer confirmed that the red cards stop work until the appropriate measures are in place so they can work safely. It's not a case that they are off the contract but that they stop work.
- How the Council compares to other similar organisations in terms of culture. The officer confirmed that so far, the focus has been internal to improve our culture. The next step would be to measure and obtain data relating to our culture, and then to do a comparison of outside organisations. Important to take what we've done and learnt into the new Council.

The Committee **resolved** to approve the recommendations in the report:

To note and endorse:

- a) The Health and Safety Performance Scorecard data, together with the observations/recommendations/conclusive summary (Appendix A)
- b) The Health and Safety Management System Improvement Programme progress update (detailed in section 4.4)

(proposed by Cllr Janet Lloyd; seconded by Cllr Tom Deakin)

127. **Landlord Compliance Report**

Ian Candlish, Assistant Director Housing Property presented the report:

- The report is in same format as previous reports.
- Generally speaking, lots of positive progress in all areas but still some challenges in terms of resources available in some of the specialist areas.
- Report gives details on some of the issues we have been addressing recently.
- Page 147 - item 4.2.9 electrical dwelling inspections. Overall electrical compliance is 100% except for the Housing Revenue Account (HRA) dwellings. There have been issues with resources with this area but we now have a new contract which has increased the number of electricians available. Also issues with access arrangements and tenants being willing to let us in. We have done some work with housing colleagues on the hard to access

- issues. We have increased the programme end date to get us back to the 100% compliance. Doing weekly monitoring to ensure we meet the target.
- Page 147 item 4.2.10 portable appliance testing (PAT) just to advise that since the report was written compliance is now 100%.
 - Page 151 item 4.3.9 the general fund on emergency lighting, since writing the report compliance is now at 100%.
 - Page 152 item the general fund properties on gas safety – since writing the report that has reached 100% compliance.
 - Page 156 this is an area that is new to the committee and relates to Radon safety. Item 4.8.5 notes that a pilot programme on Radon safety monitoring devices has now been completed as well. The balance of the programme will be undertaken in February 2023.
 - Page 156 item 4.9 is a new item for the committee and relates to street lighting. We previously advised that a survey was being undertaken on our street lighting on our HRA owned land. The survey has now been done and we are waiting for the data for the electrical and structural safety of the columns. Will be able to provide the committee with an update on the outcome of the survey at the next meeting.
 - Page 157 item 4.10 smoke and carbon monoxide alarms. The report gives a brief overview on what the requirements are, and just to advise we are fully compliant on that area with all alarms already installed.

During the debate, discussion took place around:

- Concern about the excuse of not being able to get entry into properties to carry out important safety checks with the report suggesting that over 1,000 properties need to have electrical safety checks completed. The officer confirmed that it is a mix of being behind schedule, due to the shortage of electricians and also the non-access problem.
- The need to ensure that the Unitary Council has enough electricians available to carry out the required works and compliance checks.
- The meetings with housing and tenants regularly discuss accessing properties for safety checks, and the different tenant representatives working to encourage tenants in their area to let the workman in.
- Response repairs are carried out on electrical issues as they get reported. Defects get dealt with that way on a reactive basis.
- The fact that the electrical safety programme got behind during the Coronavirus pandemic as the activity of undertaking an electrical installation test in a dwelling is quite intrusive as you have to go throughout the property, and it takes a few hours compared to gas servicing which is normally in one room and might only take half an hour.
- Hardship issues such as hoarding and complex needs are being identified in some cases where access is problematic. We look to try to be supportive and respond to those as part of an access arrangement.
- There is a national shortage of electricians. We previously used seven contractors but some of the smaller providers weren't able to deliver so we have gone back to two main larger providers, and it continues to be a high priority for us.
- Accessing properties is a general problem for all compliance checks and messaging is included in every edition of the tenant's newsletter

- Whether being fully compliant by the end of the financial year means by the 1 April 2023? Officers confirmed that they are looking to get as close to 100% compliant before the end March 2023.
- Legally whether we have to give the tenants an electrical safety certificate?
- Whether the shortage of electricians has budgetary implications due to having to use a big supplier and they are working to get the job done quickly. The officer confirmed that a provision for ongoing safety checks is included in the HRA Business Plan. The electrical contract is for multiple years so it will pick up the programme. We are going from a 10-year cycle on the frequency of testing to a 5-year cycle, which the Government are likely to introduce through legislation in 2023. Electrical safety checks continue in the same way that other testing such as gas testing does. It will be included in the business plan as a top priority in terms of budget. We have our recent contract which will go forward into future years, but we also have our own in-house electrical team who primarily deal with response repairs, works in voids, etc. we are looking to grow the team but we have vacancies there as the marketplace for electricians is particularly challenging at the moment.
- What compartmentalisation is. Officers confirmed that compartmentalisation relates to fire safety. It is the splitting up a large building into compartments e.g. fire doors in the corridors which would split up the building. 100% completion of fire risk assessments being carried out. Working on completing the recommended remedial actions to demonstrate that compartmentalisation is in place. Currently there are two contracts progressing and completing this work. First is putting in new fire doors and the second is where there are more individual areas that need checking e.g. going into roof space to check no openings there. Blocking gaps up to stop spread of fire.
- Whether compartmentalisation is a statutory requirement. The officer confirmed that it's a standard in the fire safety sector and built into building regulations for new buildings. It is effectively a statutory requirement as it comes out of the fire risk assessment which is a requirement, and remedial actions would have to be undertaken.
- Whether compartmentalisation is also applicable for repairs to any buildings existing buildings. The officer confirmed it would be if a refurbishment was being carried out. If a workman was drilling a hole in a property to insert new pipework, they would have to seal up any gap around the pipe to stop the spread of hot gases and flames.
- Given the fact that there are some areas where further updates are due, whether a further update report is added to the agenda for the March Committee meeting. Members confirmed that an email update would suffice and that this would be included in the tracker for the March meeting.
- Arrangements for the new Council and confirmation from officers that a Building Resident Safety Strategy is going through SCC. This is a combined document covering all of the housing stock (SWT and Sedgemoor). It will clarify our approach, our responsibilities, some key appointments but one thing it will also do is recommend some performance indicators for the new council. Approval before vesting day will ensure that the top six areas of compliance will be headline corporate indicators for the new Council. That ensures the proper governance will be in place and that members have the proper sight and oversight of indicators coming through.

The Committee **resolved** to note the contents of the report and progress being made in relation to landlord property safety compliance.

(proposed by Cllr Janet Lloyd; seconded by Cllr Simon Coles)

(The Meeting ended at 7.35 pm)