

SWT Audit and Governance Committee - 13 June 2022

Present: Councillor Lee Baker (Chair)

Councillors Janet Lloyd, Simon Coles, Hugh Davies, Dawn Johnson, Steven Pugsley and Hazel Prior-Sankey

Officers: Jackson Murray, Oliver Durbin, Amy Tregellas, Alastair Woodland, Ian Candlish, John Dyson, Malcolm Riches, Sean Papworth, James Barrah and Jessica Kemmish

Also Present: Councillors Benet Allen, Francesca Smith and Federica Smith-Roberts

(The meeting commenced at 6.15 pm)

75. **Appointment of Chair**

The Committee resolved to elect councillor Lee Baker as the Chair of the Audit and Governance Committee.

76. **Appointment of Vice Chair**

The Committee resolved to elect councillor Janet Lloyd as Vice Chair of the Audit and Governance Committee.

77. **Apologies**

Apologies were received from Councillors Tom Deakin who was substituted by councillor Hazel Prior-Sankey, Ed Firmin, Marcus Kravis, Andy Milne and Terry Venner.

78. **Minutes of the previous meeting of the Audit and Governance Committee**

The Committee resolved to approve the minutes from the meeting held on 14th March.

The Committee resolved to approve the minutes from the meeting held on 22nd March.

79. **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
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Cllr L Baker	All Items	SCC, 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 D Johnson	All Items	SCC	Personal	Spoke and Voted
Cllr J Lloyd	All Items	Wellington & Sampford Arundel	Personal	Spoke and Voted
Cllr H Prior-Sankey	All Items	SCC & Taunton Charter Trustee	Personal	Spoke and Voted
Cllr S Pugsley	All Items	SCC	Personal	Spoke and Voted
Cllr F Smith	All Items	SCC & Taunton Charter Trustee	Personal	Spoke
Cllr F Smith-Roberts	All Items	SCC & Taunton Charter Trustee	Personal	Spoke

Councillors Janet Lloyd and Hazel Prior-Sankey declared that they were a member of the Local Government Pension Scheme and were receiving their pension at present.

Councillor Fran Smith advised that they were a member of the Local Government Pension Scheme but not yet in receipt of their pension.

The monitoring officer advised that councillors Janet Lloyd and Hazel Prior-Sankey would need to leave the room should a question be raised in regard to the Local Government Pension Scheme. Councillor Fran Smith could remain as they were not yet in receipt of their pension.

During Item nine of the agenda Councillor Simon Coles declared a personal interest due to being the Chair of the Pensions Committee at Somerset County Council.

80. **Public Participation**

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

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

The Committee resolved to note the Audit and Governance Committee Forward Plan.

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

John Dyson, the Corporate Finance Manager, introduced the report:

- Introduced Oliver Durbin from Grant Thornton who was new to the authority and had started working on audits for Somerset West and Taunton Council this year.
- For the report being brought for item nine the audit was effectively underway, but the report was being brought to the Committee now due to the national delay which meant the report had not been shared with the Committee at the previous meeting as originally intended.

Oliver Durbin, Audit Manger, Grant Thornton further introduced the report:

- The report provided a progress update as of May 2022. It outlined the work completed to date on the audit. This included the initial understanding of the internal audit and control environment at the Council, the IT general controls in place and the work on value for money. These was a finding raised on the general controls around segregation of duties between those who can edit the system and those who can grant access.

During the debate the following points were raised:

- It was asked if there might be delays in getting a final report out on Somerset West and Taunton as an authority. It was responded by the representatives from Grant Thornton that no delays were expected. Discussions had been started about what would be done for the 2022-23 financial year as the new unitary authority would be in place by then.
- It was asked if the external auditors felt that a desktop survey would be satisfactory for Commercial Investment Assets. The Grant Thornton Audit Manager responded that they had worked with officers to agree the process and were satisfied with it.

The Committee resolved to note the recommendation in the report:

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

83. **External Audit - Audit Plan 2021/22**

The representatives from Grant Thornton introduced the report:

- The Audit Plan was issued later than hoped due to the ongoing CIPFA consultation on some accounting policies. Therefore, the report could not be brought to the Committee in March as planned.
- Key areas of risk had been identified as had key areas of focus for the audit. Investment Property evaluations were included as a separate item for the first time to give assurance of the value of the investment properties.
- There were two items to consider on the value for money segment this included the Commerical Investment Strategy and a new risk on the merging of the local authorities in Somerset. This would be addressed in the auditor's value for money work.
- Detail was provided in the report on how risks would be approached as well as how accounting estimates would be approached.

- The audit fee included the costs of an expert being involved in the work on infrastructure assets. There may also be an additional fee dependant on whether auditing was done remotely.

During the debate the following points were raised:

- It was asked who agreed the valuations for properties and whether this was done in conjunction with Somerset County Council given the upcoming transition to a unitary authority. It was responded by Grant Thornton that valuations were carried out by independent valuers, the external auditors then challenged both the valuers and management at the Council and looked at methods used and the assumptions made to review how accurate they were.
- It was raised that the valuations were done annually and they were not seen as a risk last year but were this year. It was asked why this was. The Grant Thornton representatives responded that the property, plants and equipment were raised as a risk in the previous year's audit, but the difference was this year the Commercial Investment assets were included separately due to the level of investment which had doubled since the last financial year. The methods used to value the Commercial Investment properties were different to the methods used to value other assets which was another reason the two risks had been separated.

Councillors Janet Lloyd and Hazel Prior-Sankey left the room due to a pecuniary interest. Councillor Simon Coles declared an interest due to being the Chair of the Pensions Committee at Somerset County Council. The monitoring officer advised the Councillor Coles could remain in the room as the interest was not a pecuniary interest but instead a personal interest.

- It was asked regarding the council's pension fund net liability if reassurance could be given that the proposed response to the risk would be actioned and reviewed in detail. It was responded by Grant Thornton that the pension fund net liability had been flagged as an additional risk and additional work was being done around it because it had been identified as an area more likely to have a material area. It would be reviewed in detail.

Councillors Janet Lloyd and Hazel Prior-Sankey returned to the chamber.

- Concerns were raised about a sample being used in terms of housing assets with the valuation of a single property then being extrapolated to estimate the value of other housing properties the Council owned and this not being a very accurate method of valuation. The Grant Thornton Director responded that all local authorities used the same method of valuation for their housing stock, this was a beacon method. Multiple assets, 'beacons' would be valued and any other properties within a certain distance of similar type would then be given the same value. This did result in a margin of error, but the CIPFA code specified this method of valuations for local authorities to use.
- It was raised that Local Government Reorganisation was flagged as a significant risk in terms of preparations for the transition not being place. It was asked if the work of the external auditors would overlap with work being done by consultations for the new unitary authority. The Grant Thornton Director responded that for the 2021-2022 financial year a single auditor

would do all the work for value for money on the transition for all the Somerset authorities whom Grant Thornton did auditing for. The governance and financial arrangements would be considered as would improving economy, efficiency and effectiveness. Local government reorganisation was flagged as a risk because it was an administrative significant risk.

- It was asked if Grant Thornton were liaising with PricewaterhouseCooper (PwC) who were the consultants for the local government reorganisation programme. It was responded that members of Grant Thornton would liaise with PwC and would work with to gain necessary information for assurance as they would work with officers of the council to gain information.

The Committee resolved to note the recommendation in the report:

2.1 Members are requested to consider and note the SWTC External Audit Plan for the financial year ending 31 March 2022 received from Grant Thornton.

84. **SWAP Internal Audit - Outturn Report 2021-22 Internal Audit Plan**

The Assistant Director for SWAP provided an introduction to the report:

- The report was to provide an update on the internal audit plan, to update on changes to that plan and to update on significant findings from the work conducted since the previous update.
- There were three reviews finalised since March. Those were two limited assurance reviews and one follow up review.
- There were some areas of good control which were given good assurance, such as housing rents.
- There was a significant risk in regard to Procurement Cards. This was due to the nature and extent of control weaknesses identified in this area and the potential risk regarding reputational damage to the authority if any inappropriate spending occurred.
- Progress against the Audit Plan was detailed in the report. The changes to the plan were also included. There had been a minor change to the ICT Review since the last update in March.
- There was a breakdown of the recommendations from reviews throughout the year. There were two reviews ongoing on staff retention and regeneration project governance.

During the debate the following points were raised:

- Concerns were raised about the risk with the Procurement Cards and a stop check not having been done for two years. Likewise, concerns were raised that VAT receipts had not been provided for all purchases given that the risk was listed as high. The SWAP Assistant Director responded that there was a significant value spent through purchase cards, around £400,000. The risk was high due to reputational damage but management were taking actions to address the risk.
- It was asked where purchase cards were used within the Council. The SWAP Assistant Director responded that they were used in departments throughout the Council. There were 26 cards within the authority but the audit had revealed that details were sometimes shared between officers which was problematic.

- It was asked who monitored purchase cards. The finance manager responded that officers were taking action following the review. A relaunch of the system for Purchase Cards was being undertaken, including a new policy which all staff who had a card would have to sign and agree to. Arrangements were going to be co-ordinated with the policies Somerset County Council had in place to improve efficiency down the line for the unitary transition. A review of who had a purchase card was being undertaken and officers would be provided with training. Whilst use of purchase cards could pose a risk, they also enabled services to respond quickly, decisively and effectively when needed.
- It was asked about spot checks being undertaken by the authority and concerns were raised that they were not occurring. The SWAP Assistant Director responded that in terms of checks it was important that the governance could stand up on its own and the plans of the council's management team were intended to address this. The finance manager added that there were plans to have an administrative officer independent to the card holder in each department to check that spending was responsible and appropriate.
- Concerns were raised about the poor governance and monitoring of purchase cards and the lack of reassurance that members could obtain about how cards were being used and reassurance that cards had only been used for legitimate purchases. The SWAP Assistant Director responded that there would be a review of expenditure in quarter one so it was hoped that assurance could be given following the review.
- It was asked when the stricter policy around purchase cards would be in place and what would be done in the meantime. The Finance Manager responded that the policy was anticipated to be in place by the end of August. The SWAP Assistant Director responded that a recommendation was made to solidify the rules with officers immediately through communication with all card holders and this recommendation had been implemented by management as an interim arrangement ahead of the new policy and framework being implemented.
- It was asked how it was discovered that card details were being shared amongst officers. The SWAP Assistant Director responded that it had been uncovered from conversations with officers.

The Committee resolved to note the recommendation in the report:

2.1 Members are asked to note progress made in delivery of the 2021-22 internal audit plan and significant findings since the previous update in March 2022.

85. **SWAP Internal Audit - Annual Opinion Report 2021/22**

The Assistant Director for SWAP provided an introduction to the report:

- Internal Audit was required to give an annual opinion on governance and controls at the Council.
- Reasonable Assurance had been given to the Council for the 2021-2022 financial year. Reasonable Assurance was also given in the previous financial year. Reasonable insurance was the second highest out of four potential categories.
- Some medium and high risks had been identified but no critical risks.

- The Annual Opinion was based on the work included in the Audit Plan for the year. There were therefore some gaps in coverage of the Internal Audit Plan and for areas not covered the Committee may wish to seek assurance from other sources in relation to those areas.
- SWAP was in conformance with the Public Sector Internal Auditing Standards.

During the debate the following points were raised:

- It was asked about the significant increase in the metrics for the total risk the Council had and whether this was concerning. The SWAP Assistant Director responded that it could be difficult to compare year to year due to each audit plan being different. 2021 was significantly impacted by Covid and more advisory work was done by SWAP. As plans became more normal the number of advisory reviews had dropped and so recommendations made had increased.

The Committee resolved to note the recommendation in the report:

2.1 Members are asked to note the Annual Opinion on the effectiveness of the internal control environment in the delivery of SWT objectives

86. **Summary of Level 1 and 2 Audit Actions**

Malcolm Riches, the Business Intelligence & Performance Manager, provided an introduction to the report:

- The report was to update the Committee on progress against the level 1 and level 2 actions identified from Internal Audits.
- The report gave the position at the end of April this year.
- Since the last report Housing Compliance and Risk Management Audits had had all the level 1 and 2 actions completed.
- 11 actions had been completed since the last report to the Audit and Governance Committee.
- There were 13 actions open, three of which were overdue. All the overdue actions were relating to Health and Safety.

During the debate the following points were raised:

- It was asked in relation to the Health and Safety audit actions whether member induction sessions had been booked as it was noted that the date these were intended to take place in June 2022. Officers advised that an answers to this question would be provided during item 17.
- It was asked if further updates could be given on the progress on the Health and Safety actions. Officers advised that an answers to this question would be provided during item 17.

The Committee resolved to note the report:

2.1 The Committee reviews the overdue actions contained in the report and notes progress to date.

87. **Going Concern Assessment 2021/22**

John Dyson, the Corporate Finance Manager, introduced the report:

- The report was a formal and routine part of the governance process. The report outlined that Somerset West and Taunton Council planned and expected to remain a going concern.
- The Section 151 Officer's opinion was that the Council remained a going concern.
- There were challenges including rises in interest rates and the unitary transition. Despite the challenges the Council was not experiencing financial difficulties and remained a going concern.

During the debate the following points were raised:

- Officers were thanked for their comprehensive report.

The Committee resolved to note the recommendation in report:

2.1 Members review and note the assessment made of the Council's status as a "going concern" as a basis for preparing their 2021/22 Statement of Accounts.

Sean Papworth joined the meeting.

88. **Annual Governance Statement 2021/22**

Amy Tregellas, the Monitoring Officer, introduced the report:

- The Annual Governance Statement was for the financial year 2021-22.
- The Annual Governance Statement for the next year would be brought to the Audit and Governance Committee in March 2023 due to unitary.
- Each year CIPFA included a list of what should be included in annual governance statements. The CIPFA requirements for this year included that the impact of Covid-19 be covered in the report.
- The report also included reflections on weaknesses in governance and details on internal audits. Updates on changes made, particularly around Health and Safety were included.
- The Council remained compliant against the financial management code.
- Key strategic risks were included in the report as was the management strategy for those risks.
- The report included information on local government reorganisation.
- There were two action plans attached to the report, one contained actions from this year's review and the other an update on actions from last year's statement.

During the debate the following points were raised:

- It was raised that there had not been an equalities group meeting recently. The Monitoring Officer responded that they would speak to the relevant officer and provide an update to members.
- It was asked how serious queries, for example in relation to fraud, could be raised in relation to audit and governance once the authority no longer existed after March 2023. The Monitoring Officer responded that this was being picked up as part of work on local government reorganisation. Audit trails would be maintained.

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

2.1 Approves the draft Annual Governance Statement and Action Plan (Appendix B) for 2021/22.

2.2 Notes the outturn position for the 2020/21 Action Plan

89. **Fraud Outturn Report 2021/22 and Annual Fraud Plan for 2022/23**

Amy Tregellas, the Monitoring Officer, introduced the report:

- The report set out the arrangements for Fraud and set out plans for the 2022-23 financial year. The level of work had been reduced due to some work being conducted as part of the local government reorganisation work.
- The report provided an update on the progress against the recommendations following the SWAP baseline maturity assessment. The actions which would be picked up during the current financial year were outlined.

The Committee Resolved to note the recommendations in the report:

2.1 The Committee approve the Fraud Outturn Report and Annual Plan for 2022/23.

90. **Landlord Health and Safety Property Compliance Update Report**

Ian Candlish, Assistant Director for Housing Compliance introduced the report:

- The report was in the same format as previous reports.
- The report covered key compliance areas such as asbestos and gas safety checks. Most areas were at 100% compliance.
- Key areas of activity since the last update to the Committee included work around procurement with new electrical contractors, fire risk assessments now being at 100% compliance and 100% compliance having been maintained in relation to gas safety checks, fire detection emergency lighting, lifts and other areas.
- A process of third-party audits on gas and electrical safety checks had begun.
- The HRA asbestos dwelling surveys were currently at 84% for surveys having been completed post August 2018.
- The capital programme and void property surveys were also being undertaken.
- Electrical property testing, including any remedial work to gain certification were at 74% completion. This remained a challenging area as it was difficult to obtain sufficient qualified electricians, both internally and through contractors.
- Weekly monitoring meetings were conducted to monitor progress on compliance.

During the debate the following points were raised:

- It was asked if there was a reluctance amongst tenants to let staff into their homes to conduct works or surveys. The Assistant Director responded that there was still a level of anxiety amongst tenants around allowing access, this was not just for compliance activities but also for improvement works.
- It was asked what level of confidence officers had that all compliance work could be completed by the end of the Council's existence in March 2023. Officers responded that this was a challenge. Officers had looked to appoint

as many contractors as possible to ensure as much work could be completed as possible. Regular monitoring would continue.

- It was asked regarding remedial action that there was no remedial actions remaining and whether the work regarding the flooring at Churchill Road had been completed. Officers responded that they would provide a written response after the meeting.

The Committee resolved to note the recommendation in the report:

2.1 The contents of the report and progress being made in relation to landlord property safety compliance be noted.

91. **Health & Safety Management System - Performance framework and Improvement Programme**

Sean Papworth, Assistant Director for Corporate, provided an introduction to the report:

- The report was in the same format as previous reports to the Committee with the addition of a scorecard in Appendix A.
- Some of the key areas to highlight from the scorecard were that more incidents were now being reported which would allow more work to be done to prevent future incidents.
- There had been an increase in incidents involving vehicles, so training was being reviewed.
- The contractor management process would also be shared more widely across the organisation, as would details around site security.
- Additional staff members had joined the Health and Safety Committee which made up part of the governance process for health and safety.
- SWAP would be undertaking a further audit in Quarter Two to review progress to date on health and safety.
- The Corporate Health and Safety Policy was being worked on and would be shared shortly.
- Risk Management was a key aspect of the improvement plan for Health and Safety. The highest risk activities and areas of the Council were being prioritised for having risk assessments reviewed and updated.
- A training programme was being created. There was a focus on compliance training being completed and the right records on training completion being stored centrally.
- Improvements still needed to be made but the progress to date was significant.

Councillor Smith-Roberts left the meeting at 20:04

The Director for Housing and Communities provided a further introduction to the report:

- Excellent progress had been made on health and safety.
- The organisation was now data led in its arrangements around health and safety.
- Progress the Council had made was being fed into the local government reorganisation programme as Somerset West and Taunton was currently likely in a better position than other local authorities in Somerset. As part of this, a new software system for health and safety was being considered.

During the debate the following points were raised:

- It was asked how it would be ensured that risk assessments would be completed by March 2023. Officers responded that they were working on the highest areas of risk first, in terms of timescales they would seek to provide a response to members after the meeting. Risk assessments did already exist, the work was about reviewing and assessing the risk assessments in place to ensure they were appropriate.

Cllr Fran Smith left the meeting 20:09

- It was raised that delivery dates for courses for members on health and safety had been listed as being scheduled for June 2022 but had not yet been scheduled. An update on this was requested. Officers responded that some aspects of work around health and safety improvements had taken longer than initially been hoped. The relevant policies were now in place and plans for member training were in progress. A more specific update on timings would be provided after the meeting.

The Committee resolved to approve the recommendations in the report:

2.1 The committee is asked to note and endorse:

- A) the H & S Performance Scorecard data, together with the observations/recommendations/conclusive summary (appendix A)
- B) the HSMS Improvement Programme progress update (detailed in section 4.4.3)

(The Meeting ended at 8.16 pm)