



Audit Committee

Friday 24th March 2023

10.00 am

**Council Chamber, Council Offices,
Brympton Way, Yeovil, BA20 2HT**

(disabled access and a hearing loop are available at this meeting venue)



The following members are requested to attend the meeting:

Chairman: Mike Hewitson
Vice-chairman: Brian Hamilton

Robin Bastable
Mike Best
Dave Bulmer

Andy Kendall
Tim Kerley
Tony Lock

Paul Maxwell
Colin Winder
Derek Yeomans (IM)

Any members of the public wishing to attend, or address the meeting at Public Question Time are asked to email **democracy@southsomerset.gov.uk** by 9.00am on Thursday 23 March, so that we can advise on the options for accessing the meeting.

The meeting will be viewable online by selecting the committee meeting at:
https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF_soA

If you would like any further information on the items to be discussed, please contact Democratic Services **democracy@southsomerset.gov.uk**

This Agenda was issued on Thursday 16 March 2023.

Jane Portman, *Chief Executive Officer*



This information is also available on our website
www.southsomerset.gov.uk and via the mod.gov app

Information about Audit Committee

Statement of purpose

Our audit committee is a key component of South Somerset District Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of South Somerset District Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Terms of Reference of the Audit Committee are (as revised and agreed at Full Council in March 2022):

1. Governance, risk and control

- 1.1 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 1.2 To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 1.3 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 1.4 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 1.5 To monitor the effective development and operation of risk management in the council.
- 1.6 To monitor progress in addressing risk-related issues reported to the committee.
- 1.7 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 1.8 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 1.9 To monitor the counter-fraud strategy, actions and resources.
- 1.10 To review the governance and assurance arrangements for significant partnerships or collaborations.

2. Internal audit

- 2.1 To approve the internal audit charter.
- 2.2 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 2.3 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 2.4 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 2.5 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

- 2.6 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 2.7 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
 - b) regular reports on the results of the QAIP
 - c) reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- 2.8 To consider the head of internal audit's annual report:
 - a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- 2.9 To consider summaries of specific internal audit reports as requested.
- 2.10 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 2.11 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 2.12 To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.
- 2.13 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

3. External audit

- 3.1 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- 3.2 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 3.3 To consider specific reports as agreed with the external auditor.
- 3.4 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 3.5 To commission work from internal and external audit.
- 3.6 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

4. Financial reporting

- 4.1 To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns

arising from the financial statements or from the audit that need to be brought to the attention of the council.

- 4.2 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 4.3 To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules.

5. Treasury Management

- 5.1 To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices.
- 5.2 The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council.

6. Accountability arrangements

- 6.1 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 6.2 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 6.3 To publish an annual report on the work of the committee.

Meetings of Audit Committee

Meetings of the Audit Committee are usually held bi-monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at www.southsomerset.gov.uk

Agendas and minutes can also be viewed via the mod.gov app (free) available for iPads and Android devices. Search for 'mod.gov' in the app store for your device and select 'South Somerset' from the list of publishers and then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

Members questions on reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

Recording and photography at council meetings

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:

<http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf>

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Audit Committee

Friday 24 March 2023

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on 26 January 2023.
The draft minutes can be viewed at:

<https://modgov.southsomerset.gov.uk/ieListMeetings.aspx?CId=135&Year=0>

2. Apologies for absence

3. Declarations of Interest

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting.

4. Public question time

Items for Discussion

5. Draft Annual Governance Statement 2022-23 (Pages 7 - 20)

6. Interim Audit Findings Report 2021/22 (Pages 21 - 54)

7. 2021/22 Auditor's Annual Report (Pages 55 - 99)

8. SWAP Internal Audit Plan Outturn Report 2022-23 (Pages 100 - 115)

9. Internal Audit Annual Opinion Report 2022-23 (Pages 116 - 131)

10. SSDC Strategic & Corporate Risk Register for Quarter 4 (Pages 132 - 137)

11. Civil Contingencies Update (Pages 138 - 141)

12. Health and Safety Update (Pages 142 - 152)

13. Report on Whistleblowing for the Municipal Year 2022-23 (Pages 153 - 155)

Draft Annual Governance Statement 2022-23

Lead Officers: Nicola Hix – Chief Finance Officer
Jill Byron – Monitoring Officer
Contact Details: Nicola.Hix@southsomerset.gov.uk
Jill.Byron@southsomerset.gov.uk

Purpose of the Report

1. This report has been prepared to enable the Audit Committee to consider if the Council's Draft Annual Governance Statement (AGS) for 2022-23 properly reflects the corporate governance arrangements in place for the year to date.

Recommendations

- a) That Audit Committee approves the 2022-23 Draft Annual Governance Statement and recommends it for approval by the Leader of the Council and the Chief Executive.
- b) That the 2022-23 Draft Annual Governance Statement is recommended to the new Somerset Council for approval alongside the South Somerset District Council Statement of Accounts 2022/23.

Background

2. As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. A key element of this is the Annual Governance Statement (AGS).
3. The Council has adopted a Code of Corporate Governance that is consistent with the CIPFA Delivering Good Governance in Local Government Framework (2016). The AGS explains how the Council has complied with the requirements of the Framework and its Code, which was adopted in October 2019.

Draft Annual Governance Statement

4. The Annual Governance Statement is required by Regulation 6(1)(b) of the Accounts and Audit (England) Regulations 2015. Its purpose is to provide assurance that SSDC has a sound internal control framework in place to manage the risks that might otherwise prevent achievement of its statutory obligations and organisational objectives.
5. The normal process is for a Council to approve an Annual Governance Statement each year and append it to the Statement of Accounts. This Draft Annual Governance Statement is the last AGS for South Somerset District Council prior to the transfer of its functions to the new Somerset Council on 1 April 2023 under the provisions of The Somerset (Structural Changes) Order 2022. It has been prepared before 31 March 2023 so that it can be approved through existing arrangements. The assessments and



comments throughout the draft AGS reflect the information available at the time of preparation in March 2023 so are not representative of the full year and approval will be on that basis. It will be for the new Somerset Council to decide if further work is required prior to the consideration of the Statement of Accounts for 2022/23 when this is available.

6. In producing the draft AGS, reports from the Council's external auditors, South West Audit Partnership, a review of the effectiveness of internal audit, and the annual review of the Assistant Director of SWAP have been taken into account.
7. There are no new or on-going significant issues to be addressed. Significant issues are issues that would be highlighted through SLT in carrying out its Corporate Governance function, by the section 151 Officer or the Monitoring Officer, by Internal Audit as a risk score of 5, or highlighted through the work of External Audit.

Financial Implications

8. There are no financial implications associated with these recommendations

Legal implications (if any) and details of Statutory Powers

9. There are no legal implications associated with these recommendations

Risk Matrix

10. Risk considerations are included in the contents of the report.

Carbon Emissions and Climate Change Implications

11. There are no carbon emissions and climate change implications associated with these recommendations

Equality and Diversity Implications

12. There are no equality and diversity implications associated with these recommendations

Privacy Impact Assessment

13. There are no privacy impact implications associated with these recommendations

Background Papers

None



South Somerset District Council

ANNUAL GOVERNANCE STATEMENT 2022/23

DRAFT

Annual Governance Statement 2022/23

Introduction

South Somerset District Council is responsible for ensuring it conducts its business and delivers services in accordance with the law and to proper standards. It must ensure that public money is properly accounted for and is used economically, efficiently and effectively and must also look to continuously improve how it operates, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

The Council's Annual Governance Statement is a transparent and open review of its governance framework, including the effectiveness of its systems of internal control. This review is not only informed by the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, but also takes into account the work and recommendations of the Council's internal and external auditors over the year. The Senior Leadership Team, comprising the Chief Executive, Directors, Section 151 Officer and Monitoring Officer, reviewed the draft 2022/23 Statement in March 2023.

2022/23 was a year of mainly positive challenges for the Council. We completed our work of embedding a new compliance culture and attitude in response to the recommendations in the Penn report. Our staff have gone above and beyond in their involvement with the creation of the new Somerset Council in addition to their normal activities. External pressures beyond our control have impacted on project delivery. We have faced these challenges together as one South Somerset and, as this Annual Governance Statement shows, can be proud of how we have tackled these issues properly and fairly and demonstrating good governance.

We are pleased to present South Somerset District Council's draft Annual Governance Statement (AGS) for 2022/23. This Annual Governance Statement will be published on the new Somerset Council website alongside the annual Statement of Accounts for 2022/23.

This is the final Annual Governance Statement for South Somerset District Council with Local Government Reorganisation in Somerset leading to the dissolution of the Council on 1 April 2023 with its functions and services transferring to and being delivered by a new unitary Somerset Council from that date onwards.

Cllr Val Keitch
Leader of Council

Jane Portman
Chief Executive

What is Corporate Governance?

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. 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 manner that is timely, inclusive, open, honest and accountable.

The Council's Governance responsibilities

The Council is responsible for ensuring it conducts its business in accordance with the law and to proper standards. It must ensure that public money is properly accounted for and is used economically, efficiently and effectively. It also has a duty to continuously improve the way in which it functions, having regard to effectiveness, quality, service availability, fairness, sustainability, efficiency and innovation.

To meet these responsibilities, the Council has put 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.

The Council is committed to the principles of good governance taking into account the guidance produced by CIPFA and SOLACE including:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable, economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit, to deliver accountability

The Council regularly reviews and updates its Local Code of Corporate Governance, most recently the Audit Committee in October 2019.

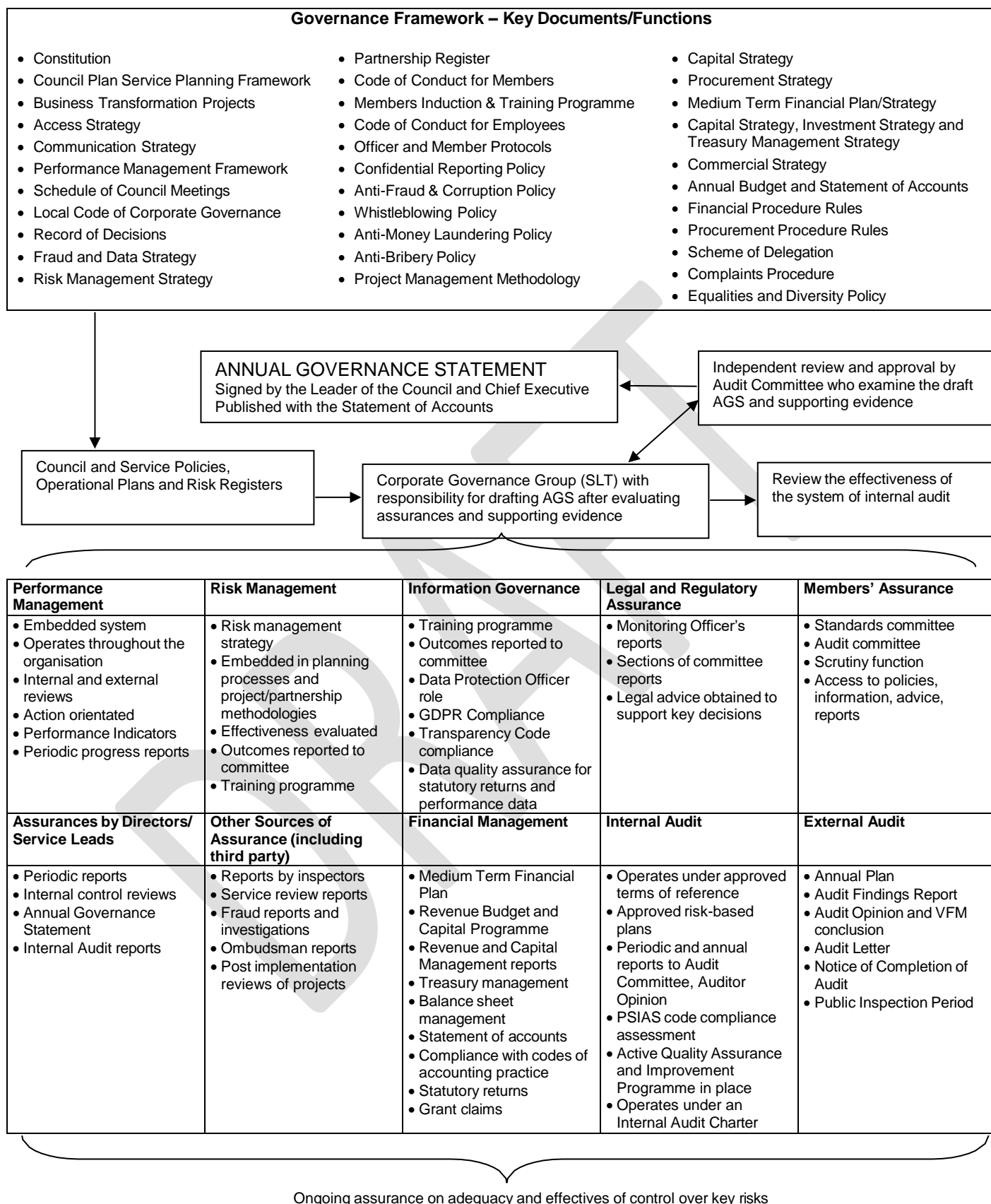
The Governance Framework

The governance framework consists of the systems, 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 us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost effective services. As the Council improves the way it provides services, it is important that the governance arrangements are robust and flexible enough to manage this.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, District Executive or Council as appropriate.

The framework is summarised in the diagram below and some of the key elements of the governance framework are highlighted on the next pages.

South Somerset District Council – Governance Assurance Framework



The Corporate Strategy and Plan

Following the District Council election in May 2019, the newly formed Leadership Team spent some time reconsidering their priorities for the term. They translated their vision and aspirations into a new Council Plan and Annual action plan. In February 2022, the Council approved the Annual Action Plan for 2022/23, which set out what the Council would do to deliver and progress the agreed priorities for the year ahead.

The Annual Action Plan is a strategic document, which sits within the overall Council Corporate Plan 2020-2024 and sets out the strategic ambitions of the Council. It is a key document and tool used to communicate and share the objectives for the Council. The Annual Action Plan is designed to articulate the commitments made and milestones set; as well as provide the basis on which to hold the Council accountable.

Corporate Plan: Annual Action Plan



Our Vision for South Somerset

A naturally beautiful and sustainable environment, which also allows business to flourish and good homes to be delivered. A place where our communities are safe, vibrant and healthy and have access to exceptional cultural and leisure activities.



2022 - 23

Great to work for

- *Agile and empowered staff
- *Inspiring people



Leading the way

- *Modern and resilient
- *Adaptable to change
- *Technology enabled



Excellent to work with

- *Business-like organisation
- *Efficient and effective



Delivering for our communities

- *Resilient services
- *Customer focused
- *Data driven
- *Proactive



The focus for the 2022/23 year was set out in the Action Plan.

The Council agreed five Priorities for 2022/23 within the Action Plan, as follows:



Environment

Priority 1:

To accelerate action to adapt to and mitigate the effects of climate change which includes reducing the Carbon footprint of the authority and enhancing the natural environment.



Healthy & self-reliant communities

Priority 2:

To enable healthy communities which are cohesive, sustainable and enjoy a high quality of life



Economy and Covid-19 recovery plan

Priority 3:

To assist businesses to recover from the Covid-19 pandemic whilst supporting growth within the South Somerset economy in partnership with other organisations.



Places where we live

Priority 4:

To enable housing and communities to meet the existing and future needs of residents and employers

Together we are delivering your
New Somerset Council

Local Government Reorganisation

Priority 5:

To effect a safe and legal transition to the new Somerset Council on 1st April 2023

Key milestones and desired outcomes were set for each Priority and progress against them was monitored by the Senior Leadership Team and publically reported at regular intervals throughout the year.

The Annual Action approved by Full Council can be found at [Annual Action Plan 2022-23](#)

Decision Making and Responsibilities

The 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, together with 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.

The Council has 60 elected Members. The Council has adopted an executive governance model, which means most member decisions are taken at District Executive level, either collectively as part of a District Executive meeting or by the Leader or Portfolio Holders in accordance with the Scheme of Delegation set out in the Constitution. The District Executive is supported and held to account by both the Scrutiny Committee and the Audit Committee.

To give local citizens a greater say in Council affairs, the Council operates four area committees. These are responsible for planning, local regeneration schemes and community development in their area.

The Constitution also sets out the role of key officers, including the statutory roles of Chief Executive (Head of Paid Service), Monitoring Officer and Section 151 Officer, 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. The three key officers and the Director of Place and Recovery, the Director of Service Delivery and the Director of Support, Strategy and Environmental Services form the Council's Senior Leadership Team (SLT).

The Council addressed two significant issues in this area during the course of 2022/23. The first was an issue raised by external auditors in relation to a settlement agreement in 2020/21, where management controls had not operated as they should have done. External auditors issued a statutory recommendation which was reported to Full Council in September 2022. Full Council accepted the recommendation and adopted a revised procedure with immediate effect. The external auditor, who was present at the meeting, was satisfied that the Council had addressed the concerns.

The second issue was the judicial review to a planning decision taken by the Chief Executive in consultation with a virtual meeting of the Council's Area West Committee in accordance with the Council's remote meetings arrangements. An objector challenged the decision on the grounds that two of the members should have declared an interest and not taken part in the debate. Although the decision was quashed by the High Court, the Judge made it clear that the decision did not reflect adversely on the integrity or professionalism of anyone involved. The decision was not appealed as a significant element of the decision related to provisions in the old Member Code of Conduct (see **Conduct** below) so an appeal would not have represented value for money.

Equality

The Council is committed to delivering services equally to all residents and improving the quality of life for the people of South Somerset. Any new Council policy, proposal or service, or any change to these that affects people must be the subject of an Equality Impact Assessment (EIA) to ensure that equality issues have been consciously considered throughout the decision-making processes. The Council approved the current Equality and Diversity Policy in March 2019. Following SLT scrutiny of the operation of this Policy in 2021/22 and the emphasis of the importance of properly considering the impact of the Council's public sector equality duty on Council proposals, 97% of Council staff have successfully completed training in this area and the question of whether or not an EIA is required has been embedded within Council processes.

Managing Risk

The Council's Risk Management Policy is fundamental to the system of internal control. It involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. It also requires the risks to be managed efficiently, effectively and economically. All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This applies to all significant programmes, projects and initiatives as well as any recommendations for material changes to current practices.

The Council's risk framework is based on a risk category approach to ensure consistency in risk scoring across the organisation, to provide a clearer route for escalation for risk owners, and improved oversight of risk for management. A standardised risk register template is embedded as part of the report template to encourage utilisation and ownership of risk at the appropriate level of the organisation, and to ensure a standard approach for both project as well as corporate risk management. Update and review of risks is enabled through supported risk reviews according to an agreed timetable.

Senior management is responsible for identifying and managing the principal risks to the Council. These risks are recorded in a Strategic Risk Register, from which corporate and project risk registers flow. Both the SLT and the Audit Committee have regularly reviewed and challenged the Risk Register during 2022/23.

Financial Management

The Chief Finance Officer (S151 Officer) is responsible for the proper administration of the Council's financial affairs, as required by the Local Government Act 1972, and the Council's 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).

There are robust arrangements for effective financial control through our accounting procedures, key financial systems, and the Financial Regulations. These include established budget planning procedures and regular financial performance reports to Councillors. 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.

The Council has a long established record of effective financial management and managing within our means. The 2022/23 original net budget of £19.714m was approved by Council in February 2022. The first quarter's budget monitoring report advised District Executive that there were budget pressures totalling an estimated £1.6m arising from the National Pay Award, increasing interest rates, increasing cost of living pressures which prompted a review to be carried out. The reviews resulted in the identification of areas of the budget which were under pressure and required budget increases and areas where savings could be made and/or alternative sources of finance can be applied. The budget pressure identified as part of the review was £3.023m, this budget gap was fully funded by underspends on budgets across all directorates with a small amount of earmarked reserve usage required (£66,950). Full Council approved the revised budget on 15 December 2022.

The Council's financial statements and arrangements for securing value for money are reviewed each year by our external auditor. The Council has opted into the Public Sector Auditor Appointments framework, as an efficient approach to procuring external audit services. Grant Thornton LLP is our appointed auditor for 2022/23.

During the 2022/23 the Council's procedures for considering public access to confidential audit and accounting information were queried by external auditors. Following an internal review a new process was adopted which satisfied the query.

The Covid-19 Pandemic

The longevity of the Covid-19 pandemic and its extension from 2020/21 into 2021/22 meant that the effect on the Council's businesses, residents and workforce continued to be a challenge in 2021/22. The impact of the pandemic remained an area of concern in 2022/23.

The Council's response to the pandemic and the mobilisation of its staff continued to show the benefits of an agile and proactive workforce but also created new governance challenges. Having given delegated authority to the Chief Executive, in consultation with on-line meetings of the Committees which would otherwise have met in person, to take the decisions those Committees would normally take from May 2021, Full Council decided in July 2022 that future meetings would be in person with provision for remote attendance, but retaining the ability to hold consultative meetings with delegation should circumstances dictate. This exception was exercised in January 2023 when extreme weather conditions led to Full Council once more meeting remotely.

The Covid-19 crisis and its aftermath is likely to have a lasting impact on income levels, resulting from fundamental changes in social movements, behaviours and preferences. It could remain difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially given the new challenges brought about by the local and national economy being in recession.

The External Environment

The pandemic led to a significant increase in financial risks and uncertainty, as well as significant additional costs for the Council and its services. The costs associated with capital projects have risen exponentially as a result of the rising costs of raw materials and inflation increases. More recently, increased financial pressures and operational requirements have arisen through the cost of living crisis and steep rise in energy costs. The Senior Leadership Team has continuously reviewed the financial strategy and budget regime through the year to mitigate risks and support the Council's priorities in response. We have managed the impact and maintained the Council's financial resilience through this turbulent time.

With the transformation to the new Somerset Council, the assumptions made for later years in the new council's MTFP continue to reflect the current shape of pressures.

Commissioning and Procurement of Goods and Services

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.

Managing Information

The Council recognises that it has a responsibility to safeguard the information it holds and to manage it in accordance with the requirements of the General Data Protection Regulation (GDPR). GDPR came into force on 25 May 2018 and the Council carried out a compliance review in early 2021. Work on implementing the resulting GDPR Action Plan started in 2021/22 and was kept under scrutiny by the SLT. Since this work started there has been a step change in the Council's compliance rates in respect of both data protection and freedom of information requirements. In addition, a comprehensive training programme for all staff was developed in early 2022 and has now been rolled out across the organisation with an 82% compliance rate.

Conduct

Our Codes of Conduct set out expected standards of conduct and are regularly reviewed and updated as necessary. These include the need for Members to register personal interests and the requirements for employees concerning gifts and hospitality, outside commitments and personal interests. The requirements of these codes are included in induction training to members and employees and both groups are regularly reminded of the codes.

In early 2022, the Council worked closely with the other councils in Somerset in preparation for the new Somerset Council to develop a new Member Code of Conduct. This was adopted by South Somerset District Council in September 2022.

Following review, a revised Employee Code of Conduct was adopted in 2022, accompanied by mandatory staff training. This scenario-based training has been rolled out across the organisation with a 91% compliance rate.

Whistleblowing

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. The Council has a Whistleblowing Policy that advises staff and others who work for the Council on how to raise concerns about activities in the workplace. The Council's policy was reviewed in April 2021 and the Audit Committee now receives an annual report on whistleblowing.

As reported in the 2021/22 AGS, in April 2021 the Council received an anonymous whistleblowing allegation containing serious allegations against some Council officers which resulted in more than one senior officer leaving the Council's employ. A comprehensive action plan to address the issues uncovered as a result of the various investigations flowing from the whistleblowing complaint was implemented and concluded in 2022/23 under the oversight of the Audit Committee. Employment Tribunal proceedings in respect of an officer who was summarily dismissed for gross misconduct were vigorously defended by the Council and were withdrawn by the former officer before they came to trial.

Counter Fraud

The Anti-Fraud Policy makes it clear that the Council will not tolerate any form of fraud, corruption, or bribery. It provides for deterrents, promotes detection, identifies a clear pathway for investigation and encourages prevention. Benefits related fraud matters are usually referred to the Department for Works and Pensions, who operate the Single Fraud Investigation Services. The Council participates in the National Fraud Initiative, which compares data from a range of organisations to identify potential fraud or error cases.

The Council introduced compulsory training in this area for all staff during 2021/22 with a compliance rate of 95%.

Commercial Services and Investment

The Council revised its Commercial Strategy in 2021/22 to take account of the revised Prudential Code and guidance on commercial investment for yield. The revised strategy continues to encourage the Council to operate in a more commercial way and focus on funding through direct income (e.g. sale, fees, and charges).

As part of the original 2017 Commercial Strategy, appropriate governance was put in place to oversee and manage a new Investment Fund to build a portfolio of commercial investment properties. Although the Council no longer invests in new assets, it continues to prudently manage its investment portfolio in accordance with the governance arrangements set out in the Constitution. These

governance arrangements were recognised as good practice by the Council's external auditors. .

Group Operations

This is the third year that the Council has included group operations in a separate section in the Statement of Accounts. The rationale being that they are deemed materially significant and it is appropriate to give more prominence to the performance of these arrangements.

Group operations are subject to the same scrutiny and governance requirements as the single entity operations in that the Council ensures an appropriate level of transparency is maintained and that decisions are made at arm's length. The division of duties and avoidance of conflict of interest is maintained through the appointment of Directors on the Board of SSDC Opium Power Ltd (SSDC OPL) who do not have delegated powers of approval for the Council to make treasury decisions or to approve specific schemes. Any lending to the group is done at arm's length and at market rates thus avoiding unfair competition. Loan repayments are being received from SSDC OPL in accordance with the agreements and the Council received it's first dividend payment from the company during the course of 2022/23.

Regeneration Programmes

Following the adoption of revised governance arrangements for the Strategic Development Board and the Project Boards in September 2021 the four Regeneration Project Boards – for Yeovil, the Octagon Theatre, Chard and Wincanton – have continued to make significant progress.

The Strategic Development Board has received regular reports on progress from the Project Boards and the local Plan during 2022/23, and any movements outside of agreed tolerances for scope, time and cost have been reported to Full Council for a decision. Progress of the programme is reported through the Council's performance management systems.

Local Government Reorganisation in Somerset

On 17 March 2022 The Somerset (Structural Changes) Order 2022 came into force. The Order creates a unitary authority for Somerset from 1 April 2023 and transfers the functions, powers and duties of South Somerset District Council to the unitary Somerset Council on that date.

The Order requires the existing five Somerset councils to work together to oversee the transition to the Unitary Authority. Following elections to Somerset County Council (the continuing authority) in May 2022, the Executive of the newly elected Council has been responsible for managing the implementation of the transition to the new unitary council for Somerset, assisted by the LGR Joint Scrutiny Committee And the Programme Board, comprising the five councils' Chief Executives, the lead authority's Monitoring Officer and Finance Director and the LGR Programme Director.

Financial Controls Imposed as a Result of the LGR Process

Before the May 2022 elections, the LGR Joint Committee, comprising lead Members for all five Councils, agreed a joint (non-binding) Finance and Assets Protocol, which set out an agreed set of principles to safeguard the interests of the new council and future taxpayers, restricting new financial commitments to those agreed in approved budgets, the disposal of assets of material value, and the spending of Council reserves. This protocol was effective from 1 April 2022 until June 2022 when the Secretary of State issued a section 24 Direction preventing the district councils, including South Somerset District Council, from:

- Disposing of any land if the consideration for the disposal exceeds £100,000
- Entering any capital contract under which the consideration payable exceeds £1,000,000 or which includes a term allowing the consideration payable to be varied

- Entering any non-capital contract under which the consideration payable exceeds £100,000 where (i) the period of the contract extends beyond 1 April 2023; or (ii) under the terms of the contract, that period may be extended beyond that date.

without the consent of the County Council's Executive. The County Council issued a General Consent enabling disposals or contracts that fall within agreed parameters to proceed. Where the General Consent does not apply, a Specific Consent is required. South Somerset District Council revised its Financial Regulations in July 2022 to include the provisions in respect of the Direction and the General Consent.

Impact of LGR on SSDC

The key risks relating to LGR, and its impact on South Somerset District Council were:

- **Capacity and resources** – Council staff are involved in the preparatory work for the Unitary Authority which has the potential to impact on being able to deliver business as usual and the Council's priorities.
- **Recruitment and retention** – staff may find jobs elsewhere due to the uncertainty around jobs in the new Council. The Council may also find it difficult to recruit staff to backfill positions where staff are working on LGR projects.
- **Use of Consultants** - The Council may have to use consultants if recruitment is problematic, and this could have an impact on the Council's budget.

Conclusion

South Somerset District Council has continued to operate fit for purpose governance arrangements during the year, reflecting its priorities and risks. A main priority for 2022/23, in addition to the reviews referred to in this statement, was dealing with the issues raised by our investigation into the anonymous whistleblowing complaint and ensuring that the actions we took were prudent, fair and proper and in the best interests of the Council and the people of South Somerset. Other issues were addressed as they arose, as reported above.

We also continued to focus on providing effective and resilient services in the face of the Covid pandemic alongside initial preparations for the challenge of implementing the Secretary of State's decision to establish a new unitary authority for Somerset on 1 April 2023.

The Internal Auditor's Opinion provides reasonable assurance based on the areas reviewed in the annual audit plan, giving confidence over the effectiveness of the systems of internal control.

Interim Audit Findings Report 2021/22

Executive Portfolio Holder: Peter Seib, Finance and Legal Services
SLT Lead: Nicola Hix, Director – Support, Strategy and Environmental Services
Lead Officers: Paul Matravers, Lead Specialist - Finance
Contact Details: Paul.matravers@southsomerset.gov.uk or 01935 462275

Purpose of the Report

1. This report introduces Grant Thornton UK LLP's Interim Audit Findings Report for 2021/22.

Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 23rd March 2023.

Public Interest

3. Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice, the Council's external auditors report on the group and Council's financial statements and the governance of South Somerset District Council.

Recommendations

4. That Audit Committee consider the matters identified in the interim report, note the draft audit findings as outlined in the report and note the next steps.

Background

5. Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice, the Council's external auditors (Grant Thornton) report on the financial statements and the governance of the Council. The review of these reports is included within the remit of this committee under its terms of reference as follows:

"To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken."

“To review and approve the annual Statement of Accounts, external auditor’s opinion and reports to members and monitor management action in response to issues raised.”

6. Members will note this report is an ‘Interim’ Audit Findings Report to summarise the key findings to date from the review undertaken so far by Grant Thornton on the 2021/22 Financial Statements.

Key Features of the Interim Audit Findings Report

8. The Grant Thornton report specifies that work is still in progress on the 2021/22 audit and the reasons for these delays are highlighted in the report.
9. The significant matters part of the headlines section of the report (Page 3) identifies a number of issues that have meant that the audit of accounts has not been completed in line with the planned timescale.
10. It should also be noted that additional audit procedures have had to be undertaken by the auditors, which have involved technical specialists, in order to gain sufficient assurance in respect of the audit opinion. This will result in additional audit fees, the additional audit fees are subject to final approval by the PSAA.

Next Steps

11. The auditors continue to work with officers to complete the outstanding work and aim to complete this work in order that the final audit findings report is taken to the next meeting of the Audit Committee of the new Somerset Council.
12. Appendix A of the final audit findings report will also include any additional issues and risk along with the management responses. However, it should be noted that management have already began discussions with the relevant officers to address the items included in the action plan of the interim audit findings report to ensure future audit of accounts do not experience the same issues.
13. The meeting will also propose approval of the Annual Governance Statement and the 2021/22 final Statement of Accounts.
14. The proposed fees chargeable for the audit of the Statement of Accounts as per the audit plan are included in Appendix D, as noted above the final fee is to be determined and discussed with management at the conclusion of the audit. The final figure, in respect of the audit of accounts only, is anticipated to be higher than the proposed fee.

Council Plan Implications

15. The Audit Findings Report is an integral part of the auditing of the Statement of Accounts which are closely linked to the Council Plan, and maintaining financial resilience and effective resource planning is important to enable the council to continue to fund its priorities for the local community.

Carbon Emissions and Climate Change Implications

16. There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

17. There are no equality or diversity implications

Privacy Impact Assessment

18. There is no personal information included in this report.

Background Papers

19. None
-

The Interim Audit Findings for South Somerset District Council

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March 2023

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Section

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2. Financial statements
3. Value for money arrangements
4. Independence and ethics

Appendices

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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 Council 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Barrie Morris
Grant Thornton UK LLP

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of South Somerset District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed through a combination of on site and remote working. We initially started our work in January 2023 after having completed the 2020/21 audit in December 2022. At the time of writing this report, the audit remains in progress due to a number of issues and delays in receiving comprehensive information from various teams that contribute to the preparation of the financial statements. There are a number of factors that have impacted upon the timely provision of information, including the impact of the various Local Government Reorganisation projects and preparations for transition to the new authority from 1 April 2023. Further details are referenced throughout this report.

Our findings are summarised on pages 7 to 16. We have identified two adjustments to the financial statements that have resulted in a £1.6m net adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

While we have completed our work in a number of areas, this report focuses on those areas of highest risk, which are still in progress. As our work is still in progress, further details on our anticipated audit opinion will be reported in our final Audit Findings Report.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised on page 17, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

In particular, we would note that the Council has taken appropriate action to addressing the statutory recommendation made in last years report.

In terms of the key recommendations, the Council is experiencing challenges in having sufficient capacity to produce accurate and timely financial statements and relevant supporting working papers, although some improvements have been made. We have also considered how the Council is managing the risks associated with commercial property. The Council has now completed the commercial property portfolio and has made progress implementing the actions from the key recommendation made in last years report. We have therefore concluded that there is no further significant weakness in arrangements to report for 2021/22.

Please refer to the more detailed commentary and evaluation in the Auditor's Annual Report and reported to the March 2023 meeting of the Audit Committee.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant Matters

As reported in our prior period Audit Findings Report, we are aware that there have been, and continue to be, a number of conflicting priorities impacting capacity levels at the Council, including Local Government Reorganisation, loss of experienced and key staff and the budgeting processes, that has contributed to delays in supporting the audit process. We acknowledge the actions taken by management to alleviate some of these issues including employing temporary additional resources to support the audit process. Despite the actions taken, we continue to experience issues in the following areas:

- loss of corporate experience impacting on the speed and quality of audit responses in certain areas;
- delays in receiving Group PPE reports and supporting models;
- delays in receipt of council valuation working papers; and
- difficulties in receiving populations at individual transactional level which requires further work from ourselves to get the information into a format suitable to identify samples but also increases the sample sizes.

2. Financial Statements

Overview of the scope of our audit

This Interim Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with Management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

As highlighted in the audit of the prior period, the impact of the pandemic and local government reorganisation has meant that your finance team faced significant audit challenges this year. As a result of the pandemic, we have also had to complete most of the audit work remotely, which has impacted the following elements of our work; remote accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the entity and access to key data from Council staff. This, coupled with lower capacity across the organisation and the loss of key corporate knowledge has led to some delays in audit work.

We have had to undertake additional audit procedures and involve technical specialists as auditors' experts in order to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements. This will result in additional audit fees, which are subject to final approval by PSAA Ltd.

Acknowledgements

We recognise that this has been a challenging audit process. There have been many conflicting priorities impacting those officers that both produce the financial statements and support us in the audit. We acknowledge their support in resolving our queries throughout the audit.

Barrie Morris
Grant Thornton UK LLP

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 18 January 2023.

We detail in the table to the right our determination of materiality for South Somerset District Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,600,000	1,500,000	<p>We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the Net Cost of Services level was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 2% was an appropriate rate to apply to the expenditure benchmark.</p> <p>We have used total assets as benchmark for the Group financial statements, as this is the benchmark with additional group items. Considering that this is the first year that the component auditors undertake work on the components financial statements. We deemed that 1.4% was an appropriate rate to apply to the total asset benchmark.</p>
Performance materiality	1,040,000	975,000	We considered factors such as control environment, prior year experience, other sensitivities and the nature of significant estimates included in the financial statements. We determined 70% and 65% of materiality as an appropriate threshold for the council and group, respectively .
Trivial matters	80,000	75,000	5% of materiality was determined as an appropriate level for triviality
Senior Officer remuneration disclosure table	N/A	10,000	A lower level of materiality was determined for the Senior Officer Remuneration disclosures in the single entity accounts due to the sensitivity and potential public interest in these disclosures.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls (Council & Group)</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; performed testing of unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our work is in progress. To date we have not identified any instances of management override of controls.</p>
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>For the group (excluding the Council), as revenue is immaterial, we have concluded we can rebut this risk, as group income is not material.</p> <p>For the Council we have concluded that the risk of material misstatement is low as income is primarily derived from grants or formula-based income from central government and taxpayers and opportunities to manipulate revenue recognition are very limited.</p>	<p>As reported in our Audit Plan, we have rebutted this presumed risk, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition; opportunities to manipulate revenue recognition are very limited; the culture and ethical frameworks of local authorities, including South Somerset District Council, mean that all forms of fraud are seen as unacceptable; and Group income streams are not material to the group accounts <p>Our planning assessment has not changed and we have determined that it is still appropriate to rebut this risk.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings (Council & Group)

The Authority revalue land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£43.1m council and £81.8m group) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly key underlying valuation inputs and assumptions, which have a material impact on the valuations, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Audit procedures include:

- evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluating the competence, capabilities and objectivity of the valuation expert;
- writing to the valuer to confirm the basis on which the valuations were carried out;
- challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- testing, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register;
- evaluating the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and
- engaging an auditors expert and undertake procedures to confirm that the group Property Plant & Equipment has been included in the group financial statements at an appropriate valuation.

Our audit work is in the early stages. Despite requesting information to begin our work in January, key documents were not received until March causing delays to our ability to start work on this significant risk area.

We have again experienced delays in the receipt of both valuation reports and valuation models relating to group PPE assets. At the time of drafting this report, we have recently received this information for only two of the three sites.

Valuation of Investment Property (Council)

The Authority revalue Investment Properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£89.967m) and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of Investment Properties, particularly key underlying valuation inputs and assumptions, which have a material impact on the valuations, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Audit procedures include:

- evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluating the competence, capabilities and objectivity of the valuation expert;
- write to the valuer to confirm the basis on which the valuations were carried out;
- challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and
- testing, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register.

Our audit work is in the early stages. Again, we requested this information to begin our work in January, however key documents were not received until March causing delays to our ability to start work on this risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability (council)

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£75.6m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;
- agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; and
- obtained assurances from the auditor of Somerset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our work is well progressed, with queries having been submitted to both the council and the Actuary.

Prior to our work beginning in January 2023, we challenged the council on the rate of salary increase that has been included in their IAS19 report on the basis of the significant cost of living pressures and higher salary and wages demands from employees. As a result, the council requested an updated IAS 19 report from the Actuary, which identified a material change to the net pension liability of £7.1m.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>Recognition and Presentation of Grant Income</p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income</p>	<p>The Council undertook a review of each of the grants received in year in order to determine the appropriate accounting treatment. Significant sums of money were paid out locally in the form of Business Grant and the Council was required to assess whether these monies should be reflected in the Comprehensive Income and Expenditure Statement (where acting as principal) or whether the year end position should be reflected within the Balance Sheet (where acting as agent).</p>	<p>We performed testing of the Council's grants and contributions. Our testing identified that, in our view, the Council had incorrectly treated a number of grants as though they were acting as principal rather than agent.</p> <p>We are currently in discussions with the council over adjusting for these grants.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £43.125m Investment Properties valuations – £89.967m Group - £35.994m	<p>Other land and buildings comprises specialised assets such as libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged an internal valuer to complete the valuation of properties as at 31 December 2021 on a five yearly cyclical basis. 50% of Land and Building assets were revalued during 2021/22.</p> <p>All investment property assets were revalued as at 31 March 2022 using a fair value methodology.</p> <p>The total year end valuation of Other land and buildings was £43.125m, a net decrease of £0.365m from 2020/21 (£43.490m).</p> <p>The total year end valuation of Investment properties was £89.967m, a net increase of £10.158m from 2020/21 (£79.809m).</p> <p>Group assets are revalued by an external management expert. Assets are valued as at 31 March 2022 on a fair value basis using a discounted cashflow basis.</p>	Our audit work is in the early stages as the information was not provided to us in a timely manner.	TBC

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																												
Net pension liability – £79,641 (original), £86,740 (Updated)	<p>The Council's net pension liability at 31 March 2022 is £86.740m (PY £101.0m) comprising the Somerset Pension Fund Local Government pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at 31 March 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £14.26m net actuarial gain during 2021/22.</p>	<p>We have:</p> <ul style="list-style-type: none"> reviewed the estimate, undertaking tests on the asset and liability elements of the net liability. Using analytical procedures we have compared actual results with expectations and have concluded that the results are reasonable; We have reviewed the work of Barnett Waddingham, through the use of an auditor's expert, PwC; We have undertaken an assessment of the actuary's roll forward approach, including completing detail work to confirm reasonableness of their valuation approach. <table border="1"> <thead> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> </thead> <tbody> <tr> <td>Discount rate</td><td>2.6%</td><td>2.55% - 2.6%</td><td>✓</td></tr> <tr> <td>Pension increase rate</td><td>3.2%</td><td>3.05% - 3.45%</td><td>✓</td></tr> <tr> <td>Salary growth (original)</td><td>2%</td><td>3.25% - 5.7%</td><td>✗</td></tr> <tr> <td>Salary growth (Updated)</td><td>4%</td><td>3.25% - 5.7%</td><td>✓</td></tr> <tr> <td>Life expectancy: Males currently aged 45 / 65</td><td>24.4 / 23.1</td><td>21.9 - 24.4 / 20.5 - 23.1</td><td>✓</td></tr> <tr> <td>Life expectancy: Females currently aged 45 / 65</td><td>26.1 / 24.7</td><td>24.8 - 26.4 / 23.3 - 25.0</td><td>✓</td></tr> </tbody> </table> <ul style="list-style-type: none"> We have undertaken checks on the completeness and accuracy of the underlying information used to determine the estimate in order to determine the reasonableness of increase in the estimate. We have also ensured adequacy of the disclosure of the estimate in the financial statements. <p>Prior to starting audit work we challenged management on their choice of salary assumption. Management reviewed and re-engaged the actuary to update the salary assumption. This resulted in a change of the overall liability as reported in appendix C. our work in this area is still in progress.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.6%	2.55% - 2.6%	✓	Pension increase rate	3.2%	3.05% - 3.45%	✓	Salary growth (original)	2%	3.25% - 5.7%	✗	Salary growth (Updated)	4%	3.25% - 5.7%	✓	Life expectancy: Males currently aged 45 / 65	24.4 / 23.1	21.9 - 24.4 / 20.5 - 23.1	✓	Life expectancy: Females currently aged 45 / 65	26.1 / 24.7	24.8 - 26.4 / 23.3 - 25.0	✓	TBC
Assumption	Actuary Value	PwC range	Assessment																												
Discount rate	2.6%	2.55% - 2.6%	✓																												
Pension increase rate	3.2%	3.05% - 3.45%	✓																												
Salary growth (original)	2%	3.25% - 5.7%	✗																												
Salary growth (Updated)	4%	3.25% - 5.7%	✓																												
Life expectancy: Males currently aged 45 / 65	24.4 / 23.1	21.9 - 24.4 / 20.5 - 23.1	✓																												
Life expectancy: Females currently aged 45 / 65	26.1 / 24.7	24.8 - 26.4 / 23.3 - 25.0	✓																												

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £1.007m	<p>The Council is responsible, on an annual basis, for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £1.0m, a net increase of £179k from 2019/20.</p>	<ul style="list-style-type: none"> In line with our prior period findings, we have challenged management as to how they are satisfied that their calculation complies with statutory guidance, given they have not included any MRP in relation to capital loans to third parties, which in our view is not consistent with the regulations or statutory guidance. We await this response from management. We also challenged management on the size of their MRP charge and whether it is deemed to be prudent, given it is less than 2% of their Capital Financing Requirement, which means the assets to which it relates have expected useful lives above the maximum of 50 years expected within the guidance. <p>Our work in this area remains in progress.</p>	Dark Purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.



Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. Our work in this areas is still ongoing at the time of writing.
Matters in relation to laws and regulations	Management have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Written representations will be requested from management at the conclusion of the audit. Given we still have a number of significant areas to complete, we will request representations at a future date.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bank and institutions, the Council had year-end investments and borrowing with. This permission was granted, and the requests were sent. We await the return of a small number of requests and have highlighted these to management.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	As referred to on page 5 we encountered a number of difficulties in completing our audit work, including late accounts, slow response times and inadequate responses.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA [UK] 570).

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified, as despite the demise of the council on 1 April 2023, the assets and liabilities will transfer to the newly created Somerset Council management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work is in progress. To date no issues have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters to date, however our work is in progress.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Detailed work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2021/22 audit of South Somerset District Council in the audit report, as our VFM work is complete.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Risk of significant weakness	Procedures undertaken	Findings	Outcome
Governance was identified as a potential significant weakness with regard to the arrangements to transition to the new authority, see page 11 for more details.	We have undertaken additional work to assess the LGR programme's governance arrangements.	There are good governance arrangements in place to manage the complex task of local government reorganisation in Somerset. Progress is closely managed and monitored and at the time of writing no material gaps in delivery of products for vesting day have been identified.	Appropriate arrangements are in place, with three improvement recommendations raised.
Financial sustainability was identified as a potential significant weakness with regard to the arrangements to transition to the new authority, see page 22 for more details.	We have undertaken additional work to assess the progress made across key financial LGR workstreams.	There is a robust process in place for delivering a balanced budget for 2023/24, but the scale of savings required to achieve a balanced position for the first year of Somerset Council represents a significant challenge.	Appropriate arrangements are in place, with four improvement recommendations raised.
Improving economy, efficiency and effectiveness was not identified as a potential significant weakness.	No additional procedures undertaken.	Appropriate arrangements are in place to improve economy, efficiency and effectiveness.	Appropriate arrangements are in place, with one improvement recommendation raised.

4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we disclose the following to you:

Barrie Morris is currently serving his 5th year on the engagement. As discussed and agreed with Public Sector Audit Appointments Limited (PSAA), Barrie will remain in post until the conclusion of the 2022-23 audit period because after that date the council will cease to exist.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim 2020-21	36,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work, relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee based on the amount of work required and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Claim 2021-22	20,000		
	56,000		

Appendices

A. Action plan – Audit of Financial Statements

We have identified 2 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Page 45	We identified that the council had a lower than expected salary assumption percentage included in it's IAS 19 report for 2021-22.	<p>We recommend that for future periods, the council reviews the IAS 19 reports to ensure that the actuary is using appropriate assumptions that reflect the market position and that challenge is raised where this is not the case.</p> <p>Management response</p> <p>SSDC accepts the recommendation, and this will be fed through to the new council to ensure that the assumptions in the IAS19 report are reviewed and a challenge to the actuary is made where required.</p>
	As reported in the prior year, we identified several assets whose useful economic life was outside of the ranges identified in the council's policy.	<p>We continue to recommend that management reviews its asset lives and associated policies for appropriateness.</p> <p>Management response</p> <p>SSDC accepts the recommendation, and this will be fed through to the new council to ensure that the asset lives and associated policies are reviewed and amended where required.</p>

Key

- High – Significant control weakness or impact on financial statements
- Medium – Control deficiency and limited impact on the financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of South Somerset District Council's 2020/21 financial statements, which resulted in 11 recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and will provide a further report on the conclusion of our audit work.

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Assessment

- ✓ Action completed
- X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially	<p>We experienced issues with understanding some of the supporting working papers, several which were produced by staff who have since left the organisation.</p> <p>We also experienced some issues with the supporting evidence provided to us and had to request additional evidence to support items selected for testing.</p> <p>We encountered unnecessary challenge and inappropriate communications from some members of the Council's staff. This has hampered the efficient and effective delivery of the audit.</p>	While we have continued to experience some difficulties relating to understanding working papers produced by staff who have left the organisation, we are pleased to report that we have seen improvements in the communications of certain council staff.
TBC	Our valuations expert identified a number of recommendations in relation to the council's Group PPE valuation model.	Management have requested that their expert review and update valuation reports having regard to the findings raised by our auditor's expert in 2020-21. Our work in this area is still in progress.
TBC	As part of our testing of the obsolescence factor used in DRC valuations, we challenged officers as to how they had determined the specific factor for each asset. We received a detailed explanation with an example of the valuer's rationale for one property, but none of this information was noted within the individual asset valuation report, or corroborated by evidence.	Our work on Property Plant and Equipment is in its early stages due to a delay in receipt of key working papers.
✓	As part of our testing of the senior officer remuneration note, we identified a lack of formalised arrangements for the council's previous monitoring officer. The monitoring officer was seconded from another council on a temporary basis. The original contract for the service ended in July 2020 however the council continued with the arrangement without a formal contract in place until March 2021. Our inquiries identified that finance, payroll and HR staff did not have any details of the arrangements.	We understand management has undertaken a review of all secondment arrangements. Our work on Senior Officer remuneration has not identified concerns to date.
X	We identified a number of assets that had a useful life which was outside of the stated range within the council's policy.	Our work has identified continued exceptions in this area in 2021-22.

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	<p>This is the second year that we have identified issues with the agreement of floor areas as part of our testing of the Council's internal valuations.</p> <p>There is a risk that the Council is not keeping appropriate records of their properties in order to support valuations.</p>	Our work on Property Plant and Equipment is in its early stages due to a delay in receipt of key working papers.
TBC	Testing of journal entries identified nine journals that had not been authorised appropriately due to a batch type being excluded from authorisation reports.	Our work in this area is in progress.
TBC	<p>Testing of the annual leave accrual back to payroll / contract data identified some errors. Once extrapolated this indicated the accrual was understated by approximately £19k.</p> <p>There is a risk that the council's accrual will be based on incorrect data if amounts are not able to be agreed to contractual data.</p>	Our work in this area is in progress.
TBC	As part of our debtors testing, we identified a number of debts that had not been paid and were well overdue.	Our work in this area is in progress.
Partially	<p>Within the opening balances of the council's fixed asset register, we identified a difference in the net book value and gross book values of Investment properties and heritage assets, where we would expect these assets to have the same values, due to their revaluation as at the balance sheet date.</p> <p>The council has stated that this difference has arisen as a result of the historical cost depreciation.</p>	<p>Our work in 2021-22 did not identify any difference between the Heritage Asset gross book value and net book value.</p> <p>We have identified one reconciliation difference relating to Investment property which we are currently discussing with management.</p>
TBC	We identified as part of our review of the final set of financial statements that management had made a £191k adjustment to creditors, but we were unable to reconcile this to any agreed audit adjustment. Management are satisfied that the accounts would not have been updated were the adjustments not appropriate, but are unable to provide supporting evidence as to why they have been made.	Our work is in progress and to date we have not identified any adjustments that management are not able to explain.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
The council's Pension liability values were restated after a change to the future salary assumptions resulting in a material adjustment to the net pension liability as well as changed to the disclosure note.	7,099	7,099	7,099
The council treated a number of grants as though they were principal within their draft financial statements, despite them being agency grants	Dr Income 13,887 Cr Expenditure 19,326	Dr Debtors 5,438	Cr Reserves 5,438
Overall impact	£1,661	£1,661	£1,661

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
As a result of the updated actuarial report that was obtained, the net pension liability notes were adjusted to reflect the new asset and liability position and updated salary assumption from 2% to 4%.	Management is in the process of updating their draft accounts for all the relevant changes.	✓

C. Audit Adjustments



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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
In our view the council should be providing for MRP on capital loans to third parties.	206	£nil	206	The council does not agree that statutory guidance indicates a need to provide for MRP on commercial loans to third parties.
Overall impact	£206	£nil	£206	

C. Audit Adjustments

Prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The council has a carried forward debtors of £102k relating to elections included in it's financial statements. We were unable to verify this amount to supporting information, and as such are not able to verify it is appropriate.	£nil	£102	£nil	Not material
Our testing of one of the Council's Investment Properties identified two differences when agreeing valuation inputs to supporting evidence. Firstly, the market rent used was incorrect by £62k and secondly, the estimated costs associated differed to actuals by £82k. The total impact on the valuation was an understatement of £145k.	(£145)	£145	(£145)	Not material, and one element related to estimation differences
Our testing of the senior officer remuneration note identified that the council was unable to verify the period that invoices for the previous monitoring officer's salary related to. The council have therefore included the April invoice in the disclosure, and while we agree that this is likely to relate to 2020-21, we cannot confirm this. As such there is a potential error included within the note.	£2	(£2)	£2	Not material
As reported in the prior year, the council incorrectly includes it's share of a joint venture (Lufton 2000) in it's single entity accounts. The council have not adjusted for this error in 2020-21.	£12	£649	£12	Not material

C. Audit Adjustments

Impact of prior year unadjusted misstatements continued

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
We identified that management are not providing for Minimum Revenue Provision (MRP) on commercial loans. As noted on page 19 in our view this is not in line with the prudential code and as a result the MRP is understated for the current year.	£776	£nil	£776	Not material
Our testing of a sample of grant income identified one grant that related to 2021-22 but had been accounted for in 2020-21. Income is overstated by £242k.	£242	£nil	£242	Not material
Our review of the final version of financial statements identified a debit adjustment to Creditors of £191k which management were unable to explain at the time of concluding. The adjustment reduces creditors, therefore we have reported it as an unadjusted error as we are unable to understand the adjustment.	£191	Cr Creditors £191	£191	Not material
Overall impact	£1,078	£1,085	£1,078	

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£91,443	TBC*
Total audit fees (excluding VAT)	£91,443	£TBC

The fees do not reconcile to the draft financial statements. As the council has disclosed fees of £98,000. We have alerted management who are in the process of adjusting the disclosure.

Our final proposed fee will be determined and discussed with management at the conclusion of our audit work. A summary of additional fees raised to date is included on page 30.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services (Housing Benefit Claim)	20,000	TBC**
Total non-audit fees (excluding VAT)	£20,000	£TBC

** The Housing Benefit Certification for 2021-22 is still in progress.

D. Fees

Further Fee analysis

Audit fees

Estimated fee

Scale fee	37,943
Raising the bar/regulatory factors	2,500
Enhanced audit procedures for Property, Plant and Equipment	1,750
Enhanced audit procedures for Pension Liabilities (IAS19)	1,750
Additional work on Value for Money (VfM) under new NAO Code	9,000
Increased audit requirements of revised ISAs 540 / 240 / 700	6,500
Group	4,000
Use of expert – estimated cost for Group PPE (review of 3 models)	20,000
Use of expert – Investment Property review	TBC
Use of expert – audit team review and liaison	TBC
Additional audit procedures arising from a lower materiality	5,000
Additional procedures to address issues identified in the prior year	3,000
Additional procedures to address issues in MRP	TBC
Estimated fee	£TBC



2021/22 Auditor's Annual Report

Executive Portfolio Holder: Peter Seib, Finance and Legal Services
SLT Lead: Nicola Hix, Director – Support, Strategy and Environmental Services
Lead Officers: Paul Matravers, Lead Specialist - Finance
Jill Byron, Monitoring Officer
Contact Details: Paul.matravers@southsomerset.gov.uk or 01935 462275

Purpose of the Report

1. The report details the Auditor's findings on arrangements in place at the Council to secure Value for Money. It reports on whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.
2. The report also includes a summary of findings and recommendations to the Council which are accompanied by the Council's management response.

Forward Plan

3. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 23rd March 2023.

Public Interest

4. The Local Audit and Accountability Act 2014 makes the Comptroller and Auditor General responsible for the preparation, publication, and maintenance of the Code of Audit Practice. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act. For audits from 2020/21, a revised 2020 Code of Audit Practice applies. The new Code makes changes to the way local auditors report on arrangements to secure Value for Money (VFM).
5. A statutory recommendation under schedule 7 of the Local Audit and Accountancy Act requires Full Council to discuss and respond publically on the report.

Recommendations

6. The Audit Committee is asked to:
 - to note the Auditor's Annual Report and recommendations.
 - to note and endorse management's proposed responses and actions to the improvement recommendations.

Background

7. The Code of Audit Practice, which was revised in 2020, updated the way external auditors report on arrangements to secure value for money. This has resulted in a more comprehensive report and is the outcome of the substantial work undertaken by the External Auditors (Grant Thornton) which involved research and evidence gathering to support the Council's position in respect of:
 - Ensuring financial sustainability,
 - Managing governance arrangements,
 - Securing economy, efficiency, and effectiveness in its use of resources.
8. Recommendations made in the report are classified into a hierarchy of levels:
 - Statutory Recommendations
 - Key Recommendations
 - Improvement Recommendations
9. Details of the hierarchy of recommendations are contained in Appendix C in the Auditor's Annual Report.

Report

10. The external auditors have made no statutory or key recommendations but have made eight improvement recommendations. The number of recommendations made and criteria is summarised below:
 - **Governance** – Three improvement recommendations (Page 13-15)
 - **Financial Sustainability** – Four improvement recommendations (Page 25-28)
 - **Improving, economy, efficiency and effectiveness** – One recommendation (Page 33)
11. Details of the 2020/21 recommendations and the progress made by management in respect of the recommendations is included on pages 34 to 36.
12. Its important to recognise this report shows the Council is in a much stronger and improved position than the previous year. The recommendations made will largely be taken forward for adoption in the new Somerset Council as detailed in the report.

Financial Implications

13. There are no direct financial implications associated with these recommendations.



Council Plan Implications

14. The report supports the transparent accountability for the Council's financial sustainability, good governance, and delivery of value for money with public funds.

Carbon Emissions and Climate Change Implications

15. There are no implications arising from this report.

Equality and Diversity Implications

16. There are no implications arising from this report.
-

Interim Auditor's Annual Report on South Somerset District Council

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2021/22
March 2023



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

During 2021/22 the Council has continued to feel the impact of the pandemic with regards to fluctuations in income, increasing demand for services, and on the delivery of the capital programme. Despite financial and operational challenges, the Council delivered a £0.9m surplus for the year. The Secretary of State issued his decision to implement the "One Somerset" proposal for local government reorganisation on 21 July 2021. From 1 April 2023 there will be a single tier of local government in Somerset, with the existing four district councils and Somerset County Council merging to form Somerset Council. Increasingly the Council's financial and service planning is now focused on a successful transition to the new authority.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Governance	Risk identified with regard to arrangements for transition to the new unitary council.	One statutory recommendation made, two further key recommendations identified, and four improvement recommendations made.	No significant weaknesses in arrangements identified, but three improvement recommendations made.	↑
Financial sustainability	Risk identified with regard to arrangements for transition to the new unitary council.	No significant weaknesses in arrangements identified, but four improvement recommendations made.	No significant weaknesses in arrangements identified, but four improvement recommendations made.	↔
Improving economy, efficiency and effectiveness	No risk identified.	No significant weaknesses in arrangements identified, but four improvement recommendations made.	No significant weaknesses in arrangements identified, but one improvement recommendation made.	↑

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Governance

We have not identified any areas of significant weakness in the Council's governance arrangements with regard to managing risk, setting ethical standards, internal control and decision making. We have carried out additional work to review the arrangements in place to support a successful transition to the new unitary council. We have made improvement recommendations with regard to:

- mapping risks within the risk register to corporate objectives;
- ensuring compliance with the requirements of the Local Audit and Accountability Act; and
- ensuring adequate resources are allocated to the planning and delivery of service transformation for Somerset Council.



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Financial sustainability

Overall we are satisfied that the Council had appropriate arrangements in place to manage the financial resilience risks it faced with regard to budget setting and the medium term financial plan. We have carried out additional work to review the arrangements in place to support a successful transition to the new unitary council and to deliver the medium term financial plan. We have not identified any significant weaknesses in arrangements, but have made the following improvement recommendations:

- continue to identify mitigating actions to manage the forecast overspend for 2022/23 and deliver a balanced budget;
- disclose in public budget monitoring reports the net contribution that commercial property makes to the General Fund;
- seek to further strengthen governance arrangements for SSDC Opium Power Ltd; and
- as part of the budget process for 2023/24 and through LGR workstreams, the Council should continue to support Somerset County Council in working to address key budget risks.



Improving economy, efficiency and effectiveness

We have not identified any areas of significant weakness in arrangements with regard to improving economy, efficiency and effectiveness. The Council has adequate arrangements in place with regard to performance management, procurement and working with partners. We have made an improvement recommendation that the Council should:

- ensure that recharges from support services to front line services are made using an appropriate basis for apportionment when compiling statistical returns.



We have yet to complete the audit of your financial statements for 2021/22. We will provide a further update on our progress to the Audit Committee.



Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have yet to complete the audit of your financial statements for 2021/22. We will provide an updated Auditors Annual Report once our financial statements audit has been concluded.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued a statutory recommendation to date and, based on the audit work completed so far, do not anticipate doing so.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a public interest report to date and, based on the audit work completed so far, do not anticipate doing so.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We have not applied for an application to the court to date and, based on the audit work completed so far, do not anticipate doing so.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued an advisory notice to date and, based on the audit work completed so far, do not anticipate doing so.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have not applied for judicial review to date and, based on the audit work completed so far, do not anticipate doing so.

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 33. Further detail on how we approached our work is included in Appendix B.



Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Statutory recommendation update – settlement agreements with senior officers

As part of our value for money work for 2020/21 we reviewed the basis on which a settlement agreement was reached with a senior officer. We identified significant governance weaknesses with regard to the process to authorise the settlement agreement. Weaknesses included a lack of consultation with the Leader or other elected Members, the Financial Regulations and Constitution were not followed, legal advice was not obtained, and the Monitoring Officer and S151 Officer were not made aware of the matter. No evidence could be provided that value for money was considered in making this substantial settlement payment.

We raised a statutory recommendation within the Auditor's Annual Report 2020/21 that in future, when considering making agreements with, or payments to employees, that the Council complies with Financial Regulations and the Constitution, ensures appropriate consultation takes place with Members and Statutory Officers, and maintains appropriate evidence for the decision making process.

Statutory recommendations, under Section 24 of the Local Audit and Accountability Act 2014, require that the Council discusses the recommendation and responds publicly to the report. Full Council considered the statutory recommendation at their meeting of 22 September 2022, which was accepted. The supporting report from the Chief Executive, Monitoring Officer and S151 Officer sets out a revised procedure note to be followed when considering settlement agreements, for adoption with immediate effect.

The procedure note confirms that, when considering settlement agreements, a report must be made that covers the economic rationale of the decision and its impact on efficiency and effectiveness. If a payment is justified by the evidence, the report must be authorised by the Senior Leadership Team lead, human resources, the Monitoring Officer and the S151 Officer. Payments between £20k and £100k must also be authorised by the Chief Executive and Leader, with payments in excess of £100k requiring Full Council approval.

We consider that the Council has adequately responded to the statutory recommendation and that the approval of the revised Procedure Note gives assurance to Members and the public that a more robust process will be followed in the future. The Procedure Note confirms that special severance payments will only be made where there is evidenced justification, policies have been followed, alternative actions explored, and arrangements provide value for money.

Preparation of the financial statements

Significant weaknesses were identified in the final accounts process and capacity to produce the financial statements for 2020/21. The Auditor's Annual Report 2020/21 made a key recommendation that the Council should ensure that there is sufficient capacity within the finance team and other Council staff to enable a complete and accurate version of the financial statements, supported by appropriate evidence, to be produced by the statutory deadline.

Governance

We have yet to complete the audit of the Council's financial statements for 2021/22. We will consider fully the Council's response to the key recommendation we made in last year's Auditor's Annual Report as part of the financial statements audit.

Commercial strategy – commercial property

The scale of commercial property investment potentially exposes the Council to significant financial risk and is a departure from the principles of prudent activity reinforced in the revised CIPFA Prudential Code. We made a key recommendation in the Auditor's Annual Report 2020/21 that the Council should develop a clear plan to address the risks that it is exposed to as a result of investing in commercial property and its funding of these investments through short-term borrowing, which could lead to significant fluctuations in financing costs due to market uncertainty and the current environment on increasing interest rates.

We have considered how the Council is managing the risks associated with commercial property in more detail within the Financial Sustainability section of this report. The Council has now completed the commercial property portfolio and has made progress implementing the actions from the key recommendation. We have therefore concluded that there is no further significant weakness in arrangements to report for 2021/22. We have made an improvement recommendation that the Council should continue to support Somerset County Council in working to address key budget risks for the new unitary authority, which includes determining the approach for holding, financing and mitigating the risk relating to commercial property investments.

Risk management

The Council's Risk Management Policy sets out the risk management process, roles and responsibilities, and how risks should be recorded and reported. Reporting requirements include quarterly reviews of the strategic risk register by the Senior Leadership Team and an annual report to the Audit Committee on the Council's risk management arrangements and strategic risk register.

The Audit Committee received a summary risk register in May 2021, with the full risk register next provided to the Committee in May 2022 as part of the update on risk management arrangements. These risk registers were provided as public agenda items in contrast to the October 2020 risk register which was exempt to the public.

The Senior Leadership Team held a risk management workshop with Zurich Risk Management in December 2021, which informed the risk management reporting to the Audit Committee in

May 2022. The workshop included a fundamental review of operational and strategic risk and resulted in the consolidation of some risks and revised risk scores for other risks. The Senior Leadership Team further reviewed the strategic and corporate risk registers in February 2022.

Therefore the Council can evidence that risks were reviewed during 2021/22 by both Members and the Senior Leadership Team.

The May 2022 risk management update recognised there had been some disruption to risk management arrangements due to changes in officer responsibilities. A refined approach to risk management was identified that includes the development of a SharePoint risk register to record and manage risks and the use of Power BI to provide improved reporting.

An improvement recommendation was identified in the Auditor's Annual Report 2020/21 that arrangements for reporting the risk register to the Audit Committee should be strengthened by reporting quarterly to the Audit Committee as a public agenda item, mapping risks to corporate priorities, including mitigating actions, and ensuring that reported risks focus on the most significant risks that the Council faces.

We note that the risk register has been reported as a public agenda item on a quarterly basis to the Audit Committee for 2022/23. From Quarter Two 2022/23, total Red, Amber, Green (RAG) rated risks are reported as a risk summary, but only red RAG rated risks are reported in detail to ensure that the focus is on the key risks facing the Council. While additional detail is provided on controls and mitigating actions, we note that risks are not mapped to corporate priorities in the risk register. We have raised a further improvement recommendation that this should be done to ensure only strategic risks are reported to Members.

Internal Audit reviewed the Council's arrangements for managing risk during the year, reporting a reasonable assurance opinion to the Audit Committee in July 2021.

We have found no risk of significant weakness with regard to the Council's arrangements for risk management and recognise that the Council has made progress in implementing the improvement recommendation made in 2020/21. We have identified a further improvement recommendation that risks within the risk register should be mapped to corporate priorities.

Internal control

The Council's internal audit function is undertaken by the South West Audit Partnership (SWAP). The Audit Committee approves an annual internal audit plan and receive regular

Governance

progress reports detailing any changes to the plan, audits completed, and details of audit reviews where limited or no assurance is provided. Progress made in implementing high priority recommendations is reviewed and reported during follow up audits for limited assurance audits.

We made an improvement recommendation in 2020/21 that the progress made in implementing previous internal audit recommendations should be routinely reported for all high priority recommendations as part of the regular SWAP progress reports.

From our discussions with SWAP we understand that a new recommendation tracking tool has been developed that uses SharePoint and Power BI to summarise the position on all internal audit recommendations. Automatic reminders are sent out on key dates for officers to update recommendations and a position statement on outstanding recommendations is taken quarterly to the Senior Leadership Team.

The intention is that the recommendation position produced through Power BI will be presented to the Audit Committee twice a year, with the first report due in early 2023. Therefore the Council plans to implement the improvement recommendation.

SWAP provided a reasonable assurance internal audit annual opinion for 2021/22, indicating that there is generally a sound system of governance, risk management and control in place.

From our work we have found no risk of significant weakness with regards to internal control. There is an effective internal audit function in place, which reports regularly to the Audit Committee.

Arrangements to prevent and detect fraud and corruption

As part of our review of governance arrangements in 2020/21 we noted that SWAP had conducted a baseline assessment of the maturity of fraud in March 2021. The review provided an amber assessment across the key theme areas and an action plan was developed to secure improvements relating to updating anti-fraud policies, providing training, and reporting anti-fraud activity to Members.

In April 2021, the Council received a whistleblowing allegation regarding the conduct of a number of Council officers. We noted in the Auditor's Annual Report 2020/21 that the Council took prompt and robust action to investigate the allegation, commissioning an internal audit review and an independent external investigation. Investigations identified weaknesses in controls and evidence of inappropriate cultural practices within Environmental Services.

Recognising the public interest in the matter, a detailed public report was considered by the Audit Committee in May 2022, which includes the progress made implementing the recommendations made as a result of the investigations.

We made an improvement recommendation in the Auditor's Annual Report 2020/21 that the Council should ensure it implements the action plans relating to the baseline maturity of fraud and whistleblowing investigation.

The Council can demonstrate that progress has been made in improving the arrangements to prevent and detect fraud and corruption, for example:

- progress implementing the recommendations resulting from the whistleblowing investigation was reported to the Audit Committee in May 2022, with a further update planned for early 2023;
- a new management team is in place at the Lufton Depot and new policies have been approved relating to the use of vehicles and fleet;
- Audit Committee received an annual whistleblowing update for 2021/22 in June 2022, confirming disclosures received and action taken;
- compulsory counter-fraud training was rolled out to officers during 2021/22;
- a new officer Code of Conduct has been produced and we note that mandatory training was rolled out to officers during December 2022; and
- all five Somerset councils received a similar baseline assessment for the maturity of fraud, and actions are now being considered through a local government reorganisation workstream to ensure adequate arrangements are in place for the new council.

Therefore the Council has addressed the 2020/21 improvement recommendation and can evidence that it is taking action to strengthen arrangements for preventing and detecting fraud. The Council can demonstrate that whistleblowing procedures work and that action is taken to address weaknesses in control where they are identified.

Budgetary control

The Council's budget monitoring arrangements are robust, with monitoring and outturn reports containing a detailed narrative explaining the reasons for budget variations, and providing evidence that variances are identified, trends monitored, and forecasts are made to the year end.

Governance

As the financial year progressed, and more financial information became available, the forecast revenue outturn position was adjusted accordingly. The financial position improved during the financial year, from the £0.1m projected service overspend forecast at quarter one, to the eventual net underspend of £0.9m at year end.

Resources were also realigned during the year following an in depth review of the 2021/22 budget to ensure that historic budgets reflected actual activity. This resulted in the net budget being revised from £16.7m to £17.3m as at Quarter Two.

During our 2020/21 value for money we work, we identified that the outturn report incorrectly disclosed the General Fund balance as at 31 March 2021 as £3.1m, with the correct figure of £6.6m being reported in the statement of accounts. We made an improvement recommendation that the outturn report should accurately reflect key financial information.

The outturn report for 2021/22 discloses a General Fund balance of £5.6m as at 31 March 2022, with the statement of accounts reporting a balance of £6.6m. The revenue budget monitoring report for Quarter One 2022/23 correctly reports the opening General Fund balance as £6.6m. Therefore the error noted in the outturn report in 2020/21 has been repeated in the outturn report for 2021/22.

We have not identified a significant weakness in arrangements or made any further recommendations on this matter, as the position was correctly reported in the accounts and subsequent budget monitoring. However, budget outturn reports should be checked to ensure that key financial information, such as the level of unearmarked General Fund reserves, is correctly reported to Members.

Judicial review

Following claims that a planning decision made by the Council in January 2022 was unlawful as it was biased and predetermined, a Judicial Review subsequently quashed the decision in October 2022. The Council is required to redetermine the application.

The Chair and Vice-Chair of the Planning Committee had both declared personal interests under the Member Code of Conduct, with the Judicial Review finding that Members took the view that the interest was not prejudicial on the advice on the Monitoring Officer. The Judicial Review found that this advice was not correct, but that this outcome does not adversely reflect on the integrity or professionalism of the Members, and that the advice provided by the Monitoring Officer resulted from an open and honest application of the Code of Conduct.

Although the Judicial Review overturned the planning decision, from our review of the circumstances of the planning decision and from discussions with officers, we have not found that this represents a significant weakness in arrangements. This view is in accordance with the comments made in the Judgement.

Section 26 Local Audit and Accountability Act 2014

The Local audit and Accountability Act provides electors with the rights to inspect the Council's accounts and underlying accounting records, books, deeds, vouchers and receipts. We are aware of two instances relating to the 2020/21 and 2021/22 financial statements, where electors have expressed difficulty in receiving timely responses from the Council when information has been requested under the Act. Assessing whether information requested is commercially sensitive has contributed to delays in providing responses.

We understand that the Monitoring Officer has drafted a procedure note that, subject to agreement, will provide for a consistent and considered response to electors in accordance with the requirements of the 2014 Act.

We have made an improvement recommendation that the Council should ensure that it complies with the requirements of the Local Audit and Accountability Act. Relevant officers should receive training to ensure:

- they are aware of the rights of electors and other interested parties under the Act;
- they are aware of what constitutes commercially confidential information;
- they understand in which circumstances public interest in disclosure may override commercial confidentiality;
- consideration is given whether it is possible to redact commercially sensitive elements of underlying records;
- the reasons for decisions on what information can be disclosed to electors and other interested parties is documented and provided to electors, including a right to have the decision reviewed; and
- that information requests are responded to in a timely way so that electors are not disenfranchised from their other statutory rights contained within the Act.

Governance

Local government reorganisation – governance arrangements

We identified in the Audit Plan 2021/22 that there is a risk of significant weakness with regard to the arrangements in place to support a successful transition to the new Somerset Council on 1 April 2023. In response to this risk we have undertaken additional work to assess the programme's governance arrangements.

Governance structures to manage and oversee the LGR programme were established following the decision of the Secretary of State in July 2021 and have adapted as the LGR programme has developed. Arrangements are in place to support democratic decision making and ensure adequate Member oversight. Initially an LGR Joint Committee was established as a collaborative committee to oversee the LGR implementation plan, with membership including the Leaders of all five sovereign councils in Somerset. Following the structural Changes Order, the Joint Committee was replaced by the LGR Implementation Executive that maintained the same membership and was created to ensure the efficient and timely transition to the new council.

As Somerset County Council (SCC) is the continuing authority, since the May 2022 elections the SCC Executive became the decision-making Member body responsible for the implementation of LGR. In order to maintain a collaborative approach and appropriate Member oversight, the SCC Executive is supported by the Implementation Board made up of the Leaders or relevant portfolio holders from the four districts and five SCC Members, including the Leader and Leader of the Opposition. The Implementation Board oversees and reviews the implementation plan and provides advice and recommendations to Executive as appropriate. The Implementation Board meets regularly to review programme update reports, the risk register and assurance reports from PwC.

There are additional layers of governance in place. The LGR Programme Board includes the Chief Executives from the existing five councils plus the SCC S151 Officer and Monitoring Officer, and reports to the Implementation Board. The Programme Board makes decisions relating to the six LGR workstreams, who are supported by a Programme Steering Group and Programme Management Office (PMO).

There is a detailed Implementation Plan that sets out the strategic objectives and key deliverables of the programme. There are three phases to the plan, with products essential to be delivered to achieve a safe and legal vesting day (T1), products that are desirable for vesting day (T2), and products to be delivered as part of transformation post vesting day (T3).

To ensure delivery of products and milestones are kept on track, the PMO maintains a detailed Programme Plan which combines all workstream plans. The PMO makes good use of SharePoint to provide real time monitoring of workstream delivery and to create monthly progress reports and scorecards for the Programme and Implementation Boards. The PMO monitors workstream progress on a weekly basis and maintains an 8-week rolling plan to identify T1 products that are due for delivery. This allows for the early identification of, and mitigation for, potential delays to the plan.

The reliance on workstreams to deliver LGR products is a decentralised approach, which encourages collaboration, but which risks inconsistency between workstreams and inconsistency of reporting. This risk is recognised within the LGR programme and is mitigated through the weekly workstream monitoring by the PMO, monthly quality assurance sessions, change control processes, and the assignment of project managers to each workstream.

The LGR programme has good governance arrangements in place that allow for effective monitoring, timely reporting and the identification and management of risk to programme delivery. Arrangements also support a collaborative approach. Our work has identified the following examples of strong governance arrangements and good practice:

- Member oversight from all existing councils through the Implementation Board;
- LGR Joint Scrutiny Committee comprising Members from all Somerset councils;
- tiered programme governance structure allowing for escalation of decisions as required;
- county council and district council workstream leads for each of the six workstreams;
- a strong Programme Management Office providing project management and detailed monitoring for individual workstreams within the programme;
- arrangements are in place to identify, report and mitigate risks through the LGR programme risk register which is reported to the Implementation and Programme Boards, LGR Joint Scrutiny Committee and the SCC Audit Committee;
- change control process to ensure changes to product target dates, scope, cost or benefit are agreed with the PMO;
- independent assurance provided on implementation progress, through PwC for the LGR programme and Socitm for MS Dynamics; and

Governance

- review of the governance arrangements to ensure that they remain fit for purpose and that the resources within the Programme Steering Group are best utilised.

The status of programme delivery as reported in the September 2022 Programme Update is an overall RAG rating of amber due to some slippage and resource pressures in key areas. At that point it was reported that out of 277 T1 and T2 products, there were eight deemed at risk or off track. From discussions with officers we understand that the current position is that there are only two T1 products currently at risk. These relate to the recruitment protocol and costed service structures, and would not have a material impact on vesting day.

The greatest risks to the LGR programme identified in the risk register relate to the budget gap for 2023/24 and the loss of staff deemed essential to programme delivery. The arrangements for setting a balanced budget for 2023/24 are considered in the Financial Sustainability section of this report.

Risks relating to availability of officer resources to deliver the programme are managed through the Recruitment and Mutual Aid Protocols, approved through the Implementation Plan. These seek to promote collaboration and manage resources to reduce potential redundancy costs, but also ensure individual councils have the capacity to deliver LGR. Staff are being supported through the change process through a programme of staff engagement exercises, frequently asked questions and weekly newsletters. Staff surveys have also been conducted to determine engagement levels, awareness and commitment to the LGR programme.

Resources to deliver the programme are likely to remain high risk however due to the scale of the programme and necessary speed of implementation. With officers fully engaged in delivering multiple products over different workstreams, resilience is low and there could be a significant impact on the programme should key officers be absent. The programme clearly recognises this risk and mitigates it as much as possible through a strong Programme Management Office alongside staff support and engagement initiatives.

From our discussions with Chief Executives and senior officers across Somerset, it is evident that there is a strong culture of collaboration within the LGR programme. Officers and Members from all the Somerset councils are working well together in order to effect a successful transition to the new council. This is to be commended.

Local government reorganisation programmes are complex activities that often require rapid implementation due to the short timescales between Secretary of State decisions and vesting day. The programme rightly prioritises the delivery of key products that are required for vesting day to create a safe and legal council.

However, there also needs to be a focus on, and adequate resources allocated to, planning and delivering the transformation of services that is required after vesting day. Transformation is required to achieve the business case benefits relating to joining up services and collaboration, but also to help bridge the significant budget gaps the new Council will need to address over the medium term.

It is incumbent on all LGR partner authorities in Somerset to ensure that adequate resources and information are shared so that the new council can make informed decisions on the services and activities that will transfer on vesting day, and how they will impact on the new target operating model.

We have made an improvement recommendation that in order to achieve successful transformation, the Council should work with its LGR partners to ensure adequate resources are allocated to the planning and delivery of transformation and that business as usual activities are reviewed as required to create capacity in the run up to vesting day and beyond.

In preparation for transformation, Somerset County Council will be required to approve key organisational enablers such as the staff structure, target operating model and the Council Plan for the new unitary authority. The Target Operating Model should provide the benchmark against which to assess the current state of services and identify priorities for service redesign. The Council Plan will determine the priorities for the new authority and how these will be delivered, again informing the level of service redesign required.

Therefore from our work we have identified that there are good governance arrangements in place to manage the complex task of local government reorganisation in Somerset. Progress is closely managed and monitored and at the time of writing no material gaps in delivery of products for vesting day have been identified. The programme should ensure that sufficient resources are allocated to planning the transformation stage, which will be critical to realising the benefits within the business case and in balancing the budget gap identified for Somerset Council.

Improvement recommendations



Governance

Recommendation 1

Risks within the risk register reported to the Audit Committee should be mapped to corporate objectives.

Why/impact

Mapping risks to corporate objectives ensures that only strategic risks are reported to Members, and provides for a better understanding of how the risk may impact strategic priorities.

Summary findings

An improvement recommendation was identified in the Auditor's Annual Report 2020/21 that arrangements for reporting the risk register to the Audit Committee should be strengthened by reporting quarterly to the Audit Committee as a public agenda item, mapping risks to corporate priorities, including mitigating actions, and ensuring that reported risks focus on the most significant risks that the Council faces.

The Council has made progress in implementing the improvement recommendation, with the Audit Committee receiving quarterly risk registers as a public agenda item. Only red RAG rated risks are reported in detail and additional information is provided on mitigating actions. However, risks are not mapped to corporate priorities.

Management Comments

SSDC accepts the recommendation, and this will be fed through for consideration of implementation within the new Somerset Council.

SLT Lead: Nicola Hix



The range of recommendations that external auditors can make is explained on Page 41.

Improvement recommendations



Governance

Recommendation 2

The Council should ensure that it complies with the requirements of the Local Audit and Accountability Act. Relevant officers should receive training to ensure:

- they are aware of the rights of electors and other interested parties under the Act;
- they are aware of what constitutes commercially confidential information;
- they understand in which circumstances public interest in disclosure may override commercial confidentiality;
- consideration is given whether it is possible to redact commercially sensitive elements of underlying records;
- the reasons for decisions on what information can be disclosed to electors and other interested parties is documented and provided to electors, including a right to have the decision reviewed; and
- that information requests are responded to in a timely way so that electors are not disenfranchised from their other statutory rights contained within the Act.

Why/impact

The Council should seek to provide information in a timely and transparent manner when electors seek to exercise their rights under the Local Audit and Accountability Act.

Summary findings

The Local audit and Accountability Act provides electors with the rights to inspect the Council's accounts and underlying accounting records, books, deeds, vouchers and receipts.

We are aware of two instances relating to the 2020/21 and 2021/22 financial statements, where electors have expressed difficulty in receiving timely responses from the Council when information has been requested under the 2014 Act. Assessing whether information requested is commercially sensitive has contributed to delays in providing responses.

We understand that the Monitoring Officer has drafted a procedure note that, subject to agreement, will provide for a consistent and considered response to electors in accordance with the requirements of the Act.

Management Comments

SSDC accepts the recommendation, and this will be shared with the new Somerset Council for their consideration of implementation.

SLT Lead: Jill Byron / Nicola Hix



The range of recommendations that external auditors can make is explained on Page 41.

Improvement recommendations



Governance

Recommendation 3

The Council should work with its LGR partners to ensure adequate resources are allocated to the planning and delivery of transformation and that business as usual activities are reviewed as required to create capacity in the run up to vesting day and beyond.

Why/impact

Transformation is required to achieve the business case benefits relating to joining up services and collaboration, but also to help bridge the significant budget gaps the new council will need to address over the medium term. In preparation for transformation, Somerset County Council will be required to approve key organisational enablers such as the staff structure, target operating model and the Council Plan for the new unitary authority.

It is incumbent on all LGR partner authorities in Somerset to ensure that adequate resources and information are shared so that the new council can make informed decisions on the services and activities that will transfer on vesting day and how they will impact on the new target operating model.

Summary findings

The LGR programme rightly prioritises the delivery of key products that are required for vesting day to create a safe and legal council. However, there also needs to be a focus on, and adequate resources allocated to, planning and delivering the transformation of services that is required after vesting day.

Management Comments

SSDC accepts the recommendation, and this will be fed through for consideration in resource planning within the new Somerset Council.

SLT Lead: Jane Portman



The range of recommendations that external auditors can make is explained on Page 41.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Outturn 2021/22

The 2021/22 General Fund outturn position was a £0.9m surplus against the £17.3m net budget. Within this net position, the Council achieved savings across service areas due to staff vacancies (£0.2m), increases in fees and charges income for arts, entertainment and carparking (0.5m), increased service grants and contributions (£0.6m), and Covid-19 support grant (£0.9m). Savings and additional income were partially offset by increases in capital financing costs, partly reflecting additional resources set aside as minimum revenue provision (£1.3m), and premises cost overspends (£0.8m).

The surplus was allocated to unearmarked General Fund reserves in order to increase the Council's financial resilience which is a prudent approach as the Council faces cost pressures relating to the pay award, inflation and increased borrowing costs.

The Council incurred capital expenditure of £35.5m against a revised budget of £40.5m. Capital spend supported corporate priorities, including commercial loans to Opium Power Ltd (£10.3m), commercial property investments (£9.6m) and town centre regeneration in Chard and Yeovil (£9.7m). Underspent capital budgets were carried forward to 2022/23, including £1.8m relating to the Yeovil Refresh where delays were caused by the pandemic and a requirement to retender elements of the scheme after the contractor went into liquidation.

The outturn position for 2021/22 does not identify any risk of significant weakness in the Council's financial management arrangements. Arrangements for budgetary control are considered in more detail in the Governance section of this Auditor's Annual Report.

Budget 2022/23

The 2022/23 budget reflects the implications of the annual local government funding settlement, which are clearly set out in the budget report. The delay in local government funding reforms and roll forward of grant support from 2021/22 benefited the Council's financial position by £4.4m for 2022/23. The budget report sets out the income the Council will receive for specific grants such as rural services and lower tier services grants, and new homes bonus funding.

Funding within the budget also includes a 2.82%, or £5, increase in council tax which is in accordance with referendum principles.

The Council set a net budget of £19.7m for 2022/23, with expenditure balanced from government grant, retained business rates and council tax income. A small surplus of £0.1m was forecast for the year, to be transferred to reserves to support financial planning.

The budget 2022/23 includes £1.4m of savings that have been identified through a zero based budgeting approach and in depth reviews to amend historical budgets where they no longer reflect activity. Due to the favourable finance settlement position and the identification of savings from zero based budgeting, the budget 2022/23 did not require reductions in services to balance the position.

Financial sustainability

The 2022/23 budget includes £2.5m to support the local government reorganisation process and ensure that there is sufficient capacity to implement and transition to the new council, while maintaining business as usual and achieving corporate priorities in the last year of South Somerset District Council.

Revenue monitoring at Quarter Two 2022/23 identifies budget pressures of £3.2m, which is a significant increase in the £1.6m pressure identified at Quarter One due to the impact of inflation, the pay award and rising interest rates. These pressures reflect changing economic conditions that were not evident when the budget was set in February 2022. In response, Full Council approved revised estimates in order to balance the budget which include savings in other areas such as staff turnover and the Somerset Waste Partnership. Increases in income are being achieved in other areas, for example with pooled fund treasury investments which are achieving higher interest rates.

We have made an improvement recommendation that the Council should continue to identify mitigating actions to manage the forecast overspend for 2022/23 and deliver a balanced budget. It will be important to continue to manage the 2022/23 budget position during the remainder of the financial year so that there is no requirement to call on reserves to balance the budget. This will ensure that the new Somerset Council has sufficient reserves to mitigate financial risk and fund transformation from 1 April 2023.

We note that the Council does have a good track record of delivering a year-end outturn position within the approved budget, with underspends reported for 2020/21 and 2021/22.

From our work we have not identified any significant weaknesses with regard to the Council's budget setting arrangements. The Council's annual budget was based on realistic assumptions when it was created and reflects the annual funding settlement.

Medium term financial plan (MTFP)

Financial planning across local government is made more difficult due to the uncertainty created from annual finance settlements and the delay to funding reforms such as the fair funding review and the business rate reset. Despite this uncertainty, our review of the Council's financial planning process indicates that it is based on realistic assumptions and we consider that arrangements are robust. Financial planning assumptions are updated as the financial year progresses and more information becomes available.

The District Executive received a Medium Term Financial Plan Refresh 2021/22 – 2023/24 in October 2021, which included updated information relating to the 2020/21 outturn position and budget monitoring as at Quarter One 2021/22. A further one year finance settlement and delay to local government financing reforms for 2022/23 were predicted, resulting in a £0.8m budget gap identified for 2022/23 and £2.9m for 2023/24.

The MTFP forecast was further updated when the 2022/23 budget was set in February 2022. A full MTFP was not produced as this is the last year that South Somerset District Council will exist as a sovereign council. A preliminary estimate of the budget position for 2023/24 was provided in order to inform the budget setting process for the first year that Somerset Council will deliver services. An indicative budget gap of £4.5m was identified for 2023/24, largely due to the anticipated introduction of local government finance reforms, cessation of new homes bonus and business rate baseline reset.

Were South Somerset to continue as a sovereign council then the estimated budget gap of £4.5m in 2023/24 would be significant and would need to be addressed through the rapid development of service savings and transformation.

Due to local government reorganisation financial planning seeks to protect funding for services in order to maintain service delivery and capacity to support the transition to the new council. Service redesign can be planned on a Somerset-wide basis as part of local government reorganisation and transformation. We consider this to be appropriate in this specific context.

Local government reorganisation (LGR) in Somerset, and the creation of Somerset Council on 1 April 2023, is the strategic response to protecting services and providing financial sustainability in the area over the medium term. The business case for the One Somerset proposal that was approved by the Secretary of State identified recurring annual savings of £18.5m that could be delivered, based on one-off implementation costs of £16.5m.

Financial planning has now switched focus from balancing the budget gaps of individual sovereign councils, to identifying the budget gap for the new unitary council and addressing this through LGR and transformation savings. This is an appropriate focus.

From our review of the assumptions within the 2022/23 budget and medium term financial

Financial sustainability

planning undertaken during the year, we are satisfied that the Council has robust financial planning processes in place and that planning is based on reasonable assumptions. As LGR is the primary mechanism for delivering financial sustainability in the medium term, we have carried out further detailed work on the arrangements and progress for setting the 2023/24 budget for Somerset Council. This is detailed separately in the Budget Setting Arrangements 2023/24 section of this Auditor's Annual Report.

Commercial strategy

The Council's Commercial Strategy is a key component to medium term financial planning and seeks to generate commercial income to offset reductions in government funding and so protect services. The Council's commercial investments include the purchase of commercial property and granting commercial loans to the Council's subsidiary SSDC Opium Power Ltd. As at 31 March 2022 the Council had invested £97m in commercial property and £42.2m in commercial loans to SSDC Opium Power Limited. During 2021/22 the Council purchased an additional three commercial investment properties for £9.6m. The gross budgeted income for commercial property in 2022/23 is significant at £6.7m, with a net contribution forecast at £3.0m after associated revenue and borrowing costs.

The budget report clearly sets out the gross commercial property income and commercial team costs, but does not set out the net contribution that commercial property makes to the General Fund after associated borrowing costs relating to minimum revenue provision and interest payable. This information is provided in the Investment Asset Update Reports to District Executive as exempt information.

We have made an improvement recommendation that the Council's budget setting and outturn reports should provide public information on the gross and net contribution that commercial property makes to the General Fund, clearly identifying associated borrowing costs. This would ensure that stakeholders have a clear understanding of the net returns that are being achieved and the extent that the revenue budget is reliant on commercial property income.

Investments made under the Commercial Strategy are funded from short term debt. The Council has £128.5m of short term borrowing as at 31 March 2022 and this creates a refinancing risk for the Council when interest rates are rising.

The Treasury Management Strategy 2022/23 confirms that South Somerset District Council

will not undertake longer term loan agreements, unless required, in order to give maximum flexibility to the new Somerset Council from 1 April 2023 in managing the overall debt position inherited from the five legacy councils.

The Council mitigates the financial risk associated with commercial property by maintaining a Commercial Investment Risk Reserve. This reserve had a balance of £6.7m as at 31 March 2022, with the 2022/23 budget including a £2m transfer from this reserve to the General Fund Balance. This would still leave a Commercial Investment Risk Reserve balance of £4.7m as at 31 March 2023, which would equate to 70% of the gross income for commercial property.

Full Council resolved that there would be no further commercial investments purely for yield at their meeting in December 2021. This is confirmed in the Council's Budget Report and Treasury Management Strategy for 2022/23, in order to comply with the revised CIPFA Prudential Code that states it is not prudent for authorities to borrow to invest primarily for financial return.

A key recommendation was made in the Auditor's Annual Report 2020/21 that the Council should develop a clear plan to address and mitigate the risks that it is exposed to as a result of investing in commercial property. We identified that the scale of commercial property investment exposes the Council to significant financial risk and is a departure from the principles of prudent activity set out in the revised CIPFA Prudential Code that was published in December 2021. HM Treasury introduced new lending rules in November 2020 to curtail commercial property investment by preventing councils from accessing PWLB borrowing if they were undertaking such activity within their capital programmes.

The Council can demonstrate that it has made progress in implementing this key recommendation through the following responses:

- Full Council have determined no further investments purely for yield will be made from December 2021;
- a Commercial Investment Risk Reserve has been maintained, with a forecast balance of £4.7m at 31 March 2023, equivalent to 70% of gross income;
- the Budget Report and Treasury Management Strategy 2022/23 confirm the changes that have been made to the CIPFA Prudential Code and state that the Council has ceased investing in commercial property purely for yield;

Financial sustainability

- the Commercial Strategy has been updated to reflect the completion of the commercial property portfolio and focus on ongoing management rather than further property acquisition;
- a local government workstream is considering the new unitary council's approach to commercial property, including risk appetite, financing, and which investments to retain; and
- the Member Budget Working Party has been briefed on all district council commercial investment portfolios.

We recognise that the Council has now completed the commercial property portfolio and has made progress implementing the actions from the key recommendation. We have therefore concluded that there is no further significant weakness in arrangements to report for 2021/22.

The good governance arrangements we identified in 2020/21 with regard to the appraisal of investments and regular reporting to the District Executive through the Investment Asset Update Reports has continued during 2021/22.

However, the borrowing requirement for commercial property is significant and the Council has opted for a strategy of continuing to fund these acquisitions mainly from short term debt in order to maintain flexibility for the new unitary council, while their approach to these investments is developed.

The new unitary council will inherit a significant commercial property portfolio from the four Somerset district councils, and will thus be exposed to continued significant risk with regard to commercial property income and financing. We have identified this as a key 2023/24 budget risk for the new council which is considered further in the Budget Setting Arrangements 2023/24 section of the Auditor's Annual Report.

SSDC Opium Power Ltd

SSDC Opium Power delivers and manages battery storage schemes, with one site at Taunton and two at Fareham, funded through commercial loans made by the Council to the company. South Somerset District Council retains 50% ownership in SSDC Opium Power Ltd, with the company's green energy schemes contributing to corporate priorities for net zero carbon.

The 2022/23 revenue budget includes loan interest income of £1.3m, with dividends from the company not due until it becomes profitable. To date the Council has made £42.2m of commercial loans to the Company.

Commercial loans are made to the company through the Commercial Strategy, with the Asset Investment Group using delegated authority to approve loans following the required due diligence on investment proposals. Due to the specialised nature of battery storage investments, we identified an improvement recommendation in the Auditor's Annual Report 2020/21 that the Council should approve a separate business plan future investments through SSDC Opium Power. We understand from discussions with Company Directors that as the original business case has not changed there have not been further business cases submitted to Council for approval.

We consider that the Council should approve business plans relating to SSDC Opium Power on an annual basis. This will ensure that the financial impact of the company's operations on the Council is understood along with associated financial and delivery risk. Without up to date business plans the financial and delivery performance of the company cannot be properly measured and Directors held to account. We note that the Investment Asset Update Reports to District Executive do include updates on the development of the battery storage sites and income generated.

Approval of annual business plans would also provide an opportunity to provide assurance that future investments, potentially outside of the Council area, continue to comply with the Prudential Code and do not represent investments purely for yield.

Internal Audit carried out a review of SSDC Opium Power Ltd to determine whether it is achieving the objectives set out in the original business case and is adequately monitored. The review, issued in December 2022, provided reasonable assurance and concluded that on face value the Company was delivering on the business case. Some areas were identified where monitoring and oversight could be strengthened, for example providing analysis of income and loan repayments against expected payments, providing reports for Council oversight in accordance with the shareholder agreement, and ensuring the loan agreement is updated to reflect actual loans drawn down.

Internal Audit did identify some limitations with the scope of their review due to difficulties in obtaining all the documents requested and a lack of engagement from officers.

We have therefore raised an improvement recommendation, that the Council should seek to further strengthen governance arrangements for SSDC Opium Power Ltd by:

- approval of an annual business plan by Full Council;

Financial sustainability

- implementing the recommendations made by Internal Audit regarding assurance reports from the Board, implementing a risk register, providing analysis of actual loan repayments against the plan, and ensuring loan repayment schedules are up to date; and
- providing Internal Audit with all the information they require in order to provide assurance opinions in a timely manner, in accordance with the Accounts and Audit Regulations 2015.

Capital strategy and treasury management

The Council's capital programme supports corporate priorities, including commercial investment, decarbonisation, town centre regeneration in Yeovil, Chard and Wincanton, and redevelopment of the Octagon Theatre.

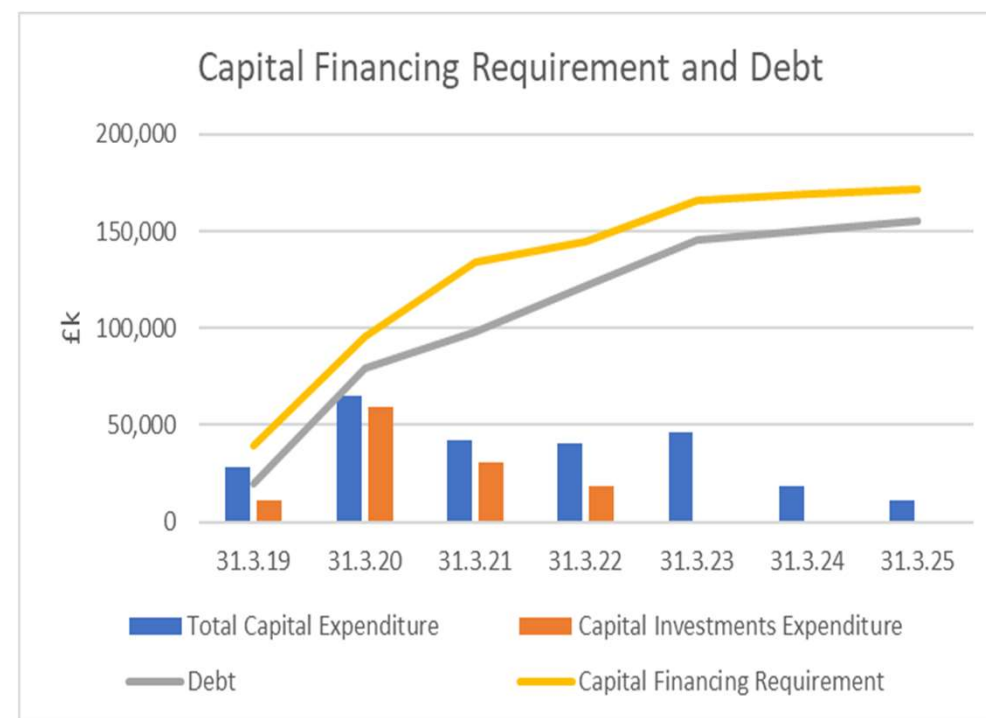
In February 2022, Full Council approved a total capital programme of £117.9m, funded from £51.7m in specific grants or developer contributions, £18.9m useable capital receipts and £2.9m capital reserves. The remaining funding of £44.4m comes from additional borrowing.

The costs of borrowing, in the form of minimum revenue payments (MRP) and interest payable, are included within the revenue budget and are forecast to increase as additional borrowing is undertaken to fund the programme and as interest rates rise. MRP costs are forecast to rise from £1.2m in 2021/22 to £1.7m in 2023/24, with interest payable increasing from £0.2m to £1.6m over the same period.

As the capital programme requires borrowing to fund schemes, particularly in relation to regeneration projects and commercial investments, the Council's capital financing requirement (CFR) is forecast to increase. The Treasury Management Strategy 2022/23 forecasts increases in the CFR from £133.9m in 2020/21 to £171.5m by 2024/25.

The graph opposite demonstrates the forecast increases in the Council's CFR and associated debt, as the capital programme is delivered, using data from the Council's Prudential Indicators published in February 2022.

The Council's borrowing strategy is to borrow internally or short term to fund the capital programme, as short term debt is historically more cost effective than long term debt. The Council also wants to ensure that the new Somerset Council has maximum flexibility in managing its CFR and so is not committing to new long term loans at this point. As at 31 March 2022 the Council has £128.5m of short term borrowing on the balance sheet.



The significant short term debt that the Council holds, and the internal borrowing represented by the difference between the CFR and actual debt in the graph above, represents a refinancing risk for the new Somerset Council in a period when interest rates are rising significantly. The capital programme, its financing and the related costs are recognised as key focus areas in the construction of the budget for the new unitary council, and are further considered in the Budget Setting Arrangements 2023/24 section of this Auditor's Annual Report.

Financial sustainability

Reserves and risk mitigation

Risks are clearly set out within financial reports. The Revenue Budget and Capital Estimates Report 2022/23 contains the Section 151 Officer's statement on the robustness of the budget and the adequacy of reserves. The narrative is comprehensive and describes key areas of risk and uncertainty within the budget and how these are mitigated.

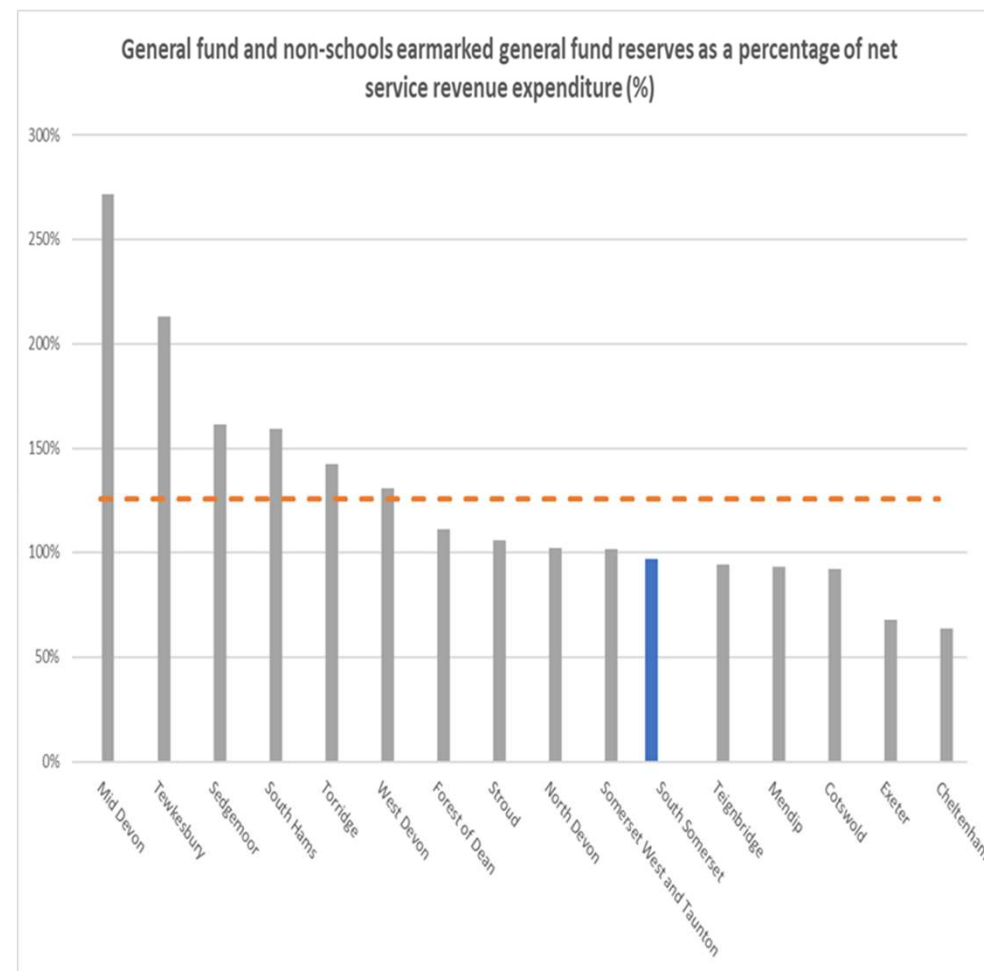
The 2022/23 budget makes additional provision for emerging risks. This includes increasing the Treasury Management Reserve by £0.4m to mitigate further potential increases to interest rates, and the inclusion of a £4m corporate contingency within the capital programme to mitigate the risk of high rates of inflation on budgets. The revenue budget also provides for a £1m increase in the LGR reserve to fund any capacity issues arising during the year to ensure service delivery and the transition to the new authority are adequately resourced.

As part of the budget process 2022/23 the minimum prudent level of General Fund reserves has been confirmed at £2.8m, with an actual balance as at 31 March 2022 of £6.6m. As part of the budget 2022/23 a further £2m will be transferred to the General Fund balance from the Commercial Investment Risk Reserve.

The Council also has earmarked reserves which can be used to mitigate financial risk. As at 31 March 2022 earmarked reserves included the following balances for risk mitigation:

- Commercial Investment Risk Reserve, £6.7m (with £2m to be transferred to the General Fund balance in 2022/23);
- Treasury Management Reserve £0.8m;
- Medium Term Financial Plan Support Reserve £8.9m.

We have benchmarked the Council's General Fund and earmarked reserves as a proportion of net service expenditure, to other district councils in the South West region, using data from the 2021/22 draft statement of accounts. South Somerset District Council's reserves represent 97% of net service expenditure compared to an average of 125%. The graph opposite demonstrates that the Council is not an outlier compared to other districts, with the overall average inflated by high levels of reserves held by two district councils in particular. If these two councils were removed from the analysis, the average would fall to 109%.



Financial sustainability

From our work we have found that the Council has adequate arrangements in place to mitigate risk, and the Council has significant risk mitigation reserves. It will be important to protect the reserves position as much as possible during the transition to the new authority in order to ensure that Somerset Council has sufficient reserves to mitigate financial risk and fund transformation from 1 April 2023.

Local government reorganisation – budget setting arrangements 2023/24

We identified in the Audit Plan 2021/22 that there is a risk of significant weakness with regards to the arrangements in place to support a successful transition to the new unitary council. In response to this risk we have undertaken additional work to assess the progress made across key financial LGR workstreams. As Somerset County Council (SCC) is the continuing authority under the Structural Change Order, they are responsible for approving the financial strategies and budgets that relate to the new unitary council.

The LGR risk register recognises the budget gap for Somerset Council in 2023/24 as one of the highest risks to the LGR programme. The budget gap for the first year of the new council's existence is forecast at £74.2m in the November 2022 MTFP update to the SCC Executive. This reduces to a net gap of £38.2m after taking into account £27.8m of identified savings and an assumption that the cost of social care reform will be fully funded (£8.2m).

There is a robust process in place for delivering a balanced budget for 2023/24. The financial standing of the new council has been a key focus since the decision from the Secretary of State to implement LGR in July 2021. As part of the 2022/23 budget process, existing councils in Somerset agreed a voluntary Finance and Assets Protocol to ensure that legacy council decisions did not have an adverse impact on Somerset Council and that new financial commitments over agreed thresholds would not be entered into.

In February 2022 the LGR Joint Committee considered the impact of key elements of the existing councils' 2022/23 budget proposals on Somerset Council. Key areas include revenue and capital budgets, reserves, commercial investments and treasury management.

The SCC Executive approved the Somerset Council MTFP in July 2022. This set out the high level strategy for delivering a balanced budget, including efficiency savings, reviewing service levels, alternative service delivery, asset management and income generation.

Work is well underway to refine the budget for 2023/24 through reviewing the staffing

establishment, developing savings proposals, reviewing borrowing costs, and deep dives into services with significant cost pressures such as Children's and Adult's services. SCC Executive away days are programmed into the budget process to review budget issues and gain consensus on potential areas to achieve savings. These ensure that Members of the continuing authority have a good understanding of the financial challenge. A Member Budget Working Group has been created to consider specific areas of the budget, including service budgets, the capital programme and office rationalisation.

We have identified the following elements of good practice that support the 2023/24 budget setting process:

- Member engagement through SCC Executive away days and the Budget Working Group;
- weekly budget briefings for the SCC Executive and Senior Leadership Team;
- three full SCC Member briefings planned for key stages during the 2023/24 budget process;
- monitoring and reporting of implementation costs against the business case;
- template developed to map 2022/23 service budgets from the existing five councils into a 2023/24 base budget for Somerset Council; and
- services have been asked to develop savings plans to achieve 5%, 10% and 20% efficiency targets.

Somerset County Council will be required to approve a balanced 2023/24 budget for the new Somerset Council in February 2023. Although robust budget setting arrangements are in place, the challenge to set a balanced budget for the first year of Somerset Council is significant. From our work and discussion with key officers, we have identified several key budget risks that relate to the scale of the commercial property portfolio, the size of the capital programme, the capital financing requirement, reserves, and the level of savings required.

Somerset Council will inherit a £280m commercial property portfolio that generates gross income of £20m from the four district councils. Much of the portfolio is funded from short term debt which creates a financing risk in the current environment where interest rates are rising. In developing the 2023/24 budget and associated Treasury Management and

Financial sustainability

Investment Strategies, Somerset Council's appetite for risk should be determined, including which commercial assets the Council wishes to retain. The approach to financing commercial assets and mechanisms for mitigating risk if commercial returns are less than planned should also be determined. The new authority should ensure it complies with the CIPFA Prudential Code, which confirms that capital investment purely for yield is not prudent activity, and requires councils with a capital financing requirement (CFR) to review options for exiting commercial investments.

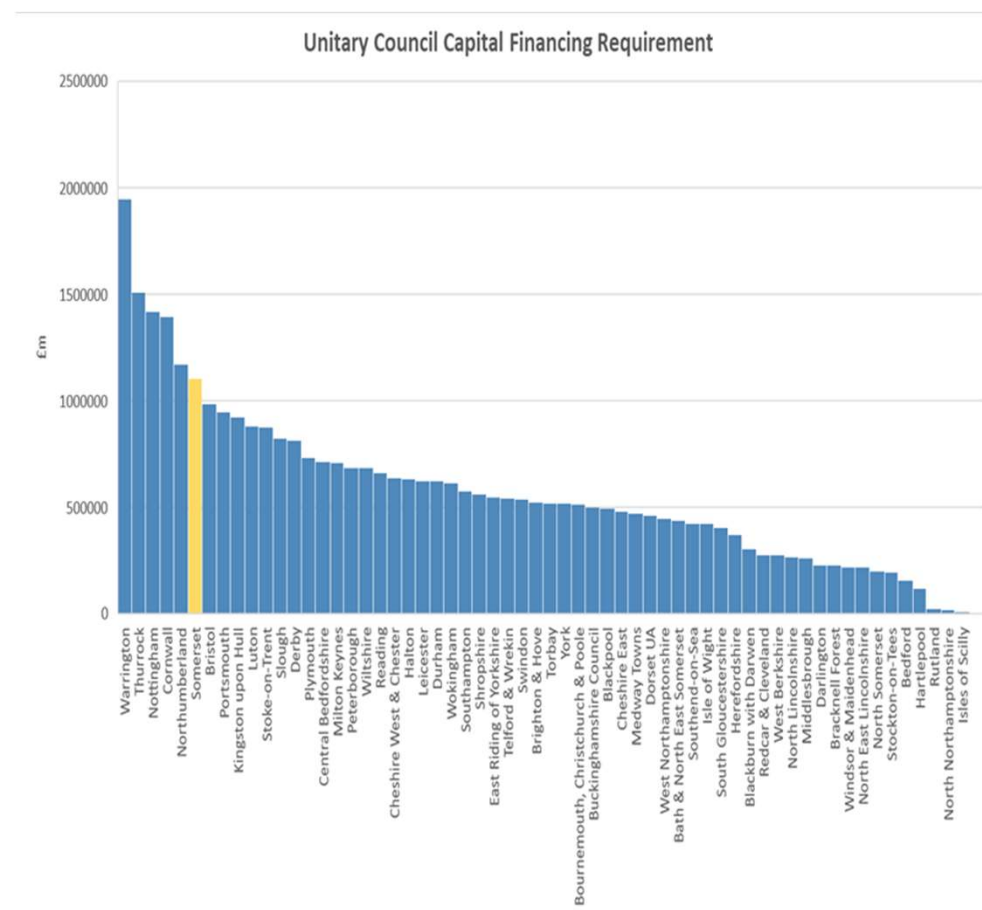
Somerset Council will also inherit a significant CFR from the five predecessor authorities. Analysis of the CIPFA capital estimate returns for 2021/22 shows that Somerset Council would have a combined CFR of £1.1bn as at 31 March 2022. This would be the sixth highest CFR in England when compared to all other unitary authorities as demonstrated in the graph opposite. The size of the combined CFR is consistent to the relative size of the new authority which would rank sixth highest in terms of revenue expenditure, but this level of CFR represents a significant financial risk that will require close management. The external debt levels associated with this CFR are approximately £780m, with significant amounts of short term debt that will need refinancing over the next three years. Associated interest costs are estimated at £31m per annum, with MRP charges of £13m.

It should be noted that Somerset West and Taunton Council and Sedgemoor District Council are both housing authorities with a Housing Revenue Account. An element of their CFR therefore results from investment in housing stock which is not subject to the same requirement to charge the General Fund with MRP.

Therefore a key element to setting a balanced and sustainable budget for Somerset Council will be to agree a borrowing strategy that manages the risk of rising interest rates and ensures that the cost of borrowing is affordable, while ensuring a prudent MRP policy and charge. Using data from the draft 2021/22 accounts, the combined impact of amalgamating the CFR, borrowing and commercial property portfolio of the five predecessor councils is demonstrated in the graph overleaf.

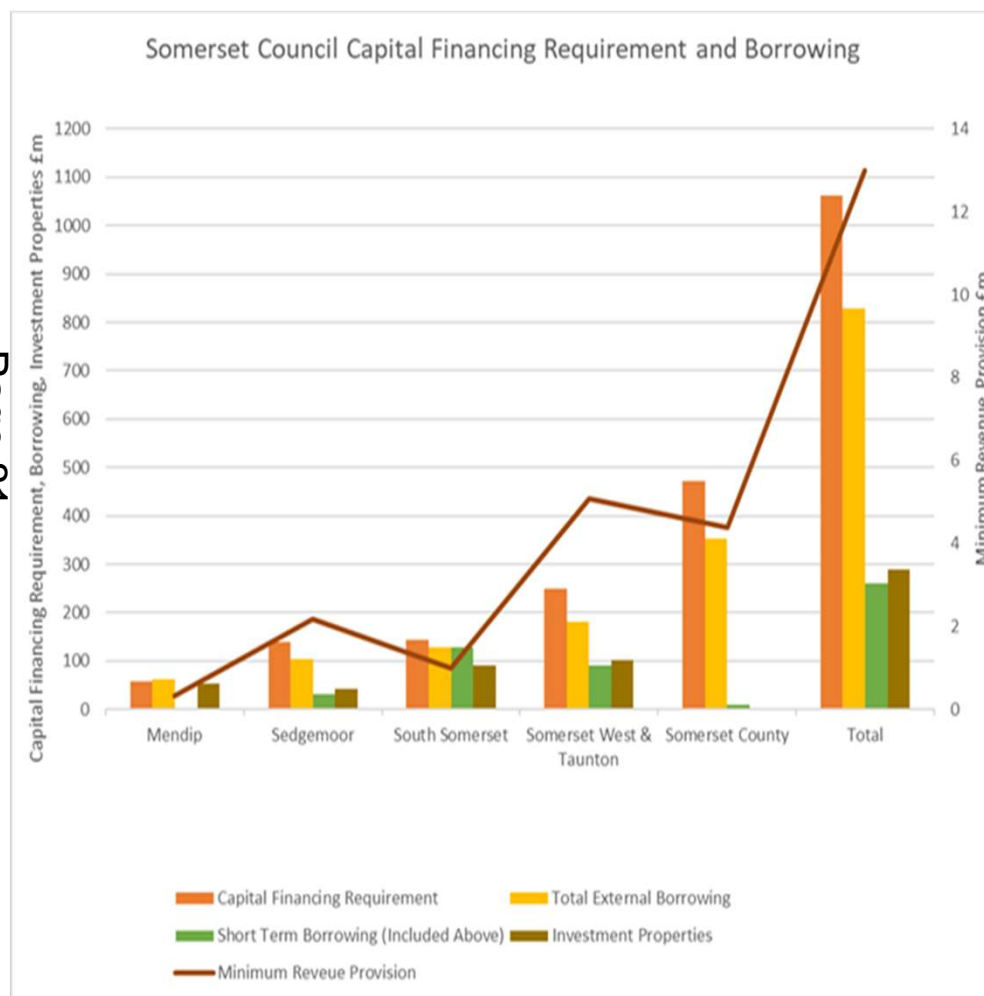
Ensuring the affordability of borrowing is also dependent on the size of the ongoing capital programme. The combined capital programme of the five legacy councils is approximately £405m and requires £154m of borrowing to fund expenditure, which will further increase Somerset Council's CFR. Increasing costs on capital works due to supply chain issues, inflation, increasing demand and rising interest rates creates a financial risk that capital

budgets previously approved will not be sufficient. Work is underway to review the combined capital programme to identify schemes that could be stopped or paused to mitigate financial risk.



Financial sustainability

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Having sufficient levels of useable reserves will be critical to the financial sustainability of Somerset Council. Reserves may be required to fund ongoing transformation costs in order to achieve the savings required to balance the budget gap identified in the MTFP. It is possible that reserves will need to be used to balance annual budgets in the short term while ongoing savings are delivered. Reserves should only be used to fund short term budget gaps when there is a robust savings plan supported by a business case to deliver financial sustainability.

Therefore a reserves strategy should be approved which identifies and earmarks the level of reserves required for transformation, smoothing budget gaps, while maintaining an adequate General Fund balance to mitigate budget risk. In order to protect the level of reserves available to Somerset Council, sovereign councils should ensure any identified overspends are managed in order to deliver a balanced budget outturn for 2022/23.

Due to the scale of the budget gap identified for 2023/24, the November 2022 MTFP update acknowledges that additional savings will need to be identified that are not part of the LGR programme or transformation. Additional actions are identified to balance the budget, which include the identification of service reductions. Work should be undertaken to identify potential areas for service efficiency that can be implemented within a short timescale in order to balance the 2023/24 budget.

In conclusion, we have identified that there is a robust process in place for delivering a balanced budget for 2023/24, but the scale of savings required to achieve a balanced position for the first year of Somerset Council represents a significant challenge. We have made an improvement recommendation that as part of the budget process for 2023/24, the following key budget risks should be addressed:

- continue progress in identifying potential service efficiencies that are not part of the LGR programme;
- determining the approach for holding, financing and mitigating the risk relating to commercial property investments;
- managing the capital financing requirement and approving a borrowing strategy that ensures the affordability of borrowing;
- reviewing the future capital programme to manage financial risk with regards to scheme cost and associated borrowing costs; and
- ensuring the level of reserves is adequate to fund transformation and mitigate risk.

Improvement recommendations



Financial sustainability

Recommendation 4

The Council should continue to identify mitigating actions to manage the forecast overspend for 2022/23 and deliver a balanced budget.

Why/impact

It will be important to continue to manage the 2022/23 budget position during the remainder of the financial year so that there is no requirement to call on reserves to balance the budget. This will ensure that the new Somerset Council has sufficient reserves to mitigate financial risk and fund transformation from 1 April 2023.

Summary findings

Revenue monitoring at Quarter Two 2022/23 identifies budget pressures of £3.2m, which is a significant increase in the £1.6m pressure identified at Quarter One due to the impact of inflation, the pay award and rising interest rates. In response, Full Council approved revised estimates in order to seek to balance the budget which include savings in other areas such as staff turnover and waste, and increased income in areas such as investment income and commercial property.

Management Comments

SSDC will continue to monitor its budget closely. A revised budget was presented as part of the quarter 2 monitoring report. This was reflected in the quarter 3 monitoring report which showed to be on target for a balanced budget at year end. The budgets will continue to be closely monitored to ensure we deliver a balanced budget for year end.

SLT Lead: Nicola Hix



The range of recommendations that external auditors can make is explained on Page 41.

Improvement recommendations



Financial sustainability

Recommendation 5

The Council's budget setting and outturn reports should provide public information on the gross and net contribution that commercial property makes to the General Fund, clearly identifying associated borrowing costs relating to minimum revenue provision and interest payable.

Why/impact

Providing this information in public reports would ensure that stakeholders have a clear understanding of the net returns that are being achieved for commercial property investments, and the extent that the revenue budget is reliant on commercial property income.

Summary findings

As at 31 March 2022 the Council had invested £97m in commercial property. The gross budgeted income for commercial property in 2022/23 is significant at £6.7m, with a net contribution forecast at £3.0m after associated revenue and borrowing costs.

The budget report clearly sets out the gross commercial property income and commercial team costs, but does not set out the net contribution that commercial property makes to the General Fund after associated borrowing costs relating to minimum revenue provision and interest payable. This information is provided in the Investment Asset Update Reports to District Executive as exempt information.

Management Comments

SSDC includes this information as part of its quarterly Commercial Investment Asset Update report to Executive. Including the gross and net budget for commercial property in budget setting and outturn reports will be fed through for consideration by the new Somerset Council.

SLT Lead: Nicola Hix



The range of recommendations that external auditors can make is explained on Page 41.

Improvement recommendations



Financial sustainability

Recommendation 6 The Council should seek to further strengthen governance arrangements for SSDC Opium Power Ltd by:

- approval of an annual business plan by Full Council;
- implementing the recommendations made by Internal Audit regarding assurance reports from the Board, implementing a risk register, providing analysis of actual loan repayments against the plan, and ensuring loan repayment schedules are up to date; and
- providing Internal Audit with all the information they require in order to provide assurance opinions in a timely manner, in accordance with the Accounts and Audit Regulations 2015.

Why/impact

Approving annual business cases will ensure that the financial impact of the company's operations on the Council is understood along with associated financial and delivery risk. Without up to date business plans the financial and delivery performance of the company cannot be properly measured and Directors held to account. Approval of annual business plans would also provide an opportunity to provide assurance that future investments continue to comply with the Prudential Code.

Internal Audit have also identified recommendations that seek to strengthen the oversight that the Council has over SSDC Opium Power.

Summary findings

Commercial loans are made to the company through the Commercial Strategy, with the Asset Investment Group using delegated authority to approve loans. Due to the specialised nature of battery storage investments, we identified an improvement recommendation in the Auditor's Annual Report 2020/21 that the Council should approve a separate business plan for future investments through SSDC Opium Power. We understand from discussions with Company Directors that as the original business case has not changed there have not been further business cases submitted to Council for approval.

Internal Audit carried out a review of Opium Power to determine whether it is achieving the objectives set out in the original business case. Reasonable assurance was provided, with areas identified where monitoring and oversight could be strengthened. Internal Audit did identify some limitations with the scope of their review due to difficulties in obtaining all the documents requested and a lack of engagement from officers.

Management Comments

Recommendation accepted. SSDC will endeavor to complete this work before it ceases, and will ensure any outstanding action is reported to the new Somerset Council for consideration of completing the work.

SLT Lead: Nicola Hix / Jill Byron



The range of recommendations that external auditors can make is explained on Page 41.

Improvement recommendations



Financial sustainability

Recommendation 7

As part of the budget process for 2023/24 and through LGR workstreams, South Somerset District Council should continue to support Somerset County Council in working to address the following key budget risks:

- continue progress in identifying potential service efficiencies that are not part of the LGR programme;
- determining the approach for holding, financing and mitigating the risk relating to commercial property investments;
- managing the capital financing requirement and setting a borrowing strategy that ensures the affordability of borrowing;
- reviewing the future capital programme to manage financial risk with regards to scheme cost and associated borrowing costs; and
- ensuring the level of reserves is adequate to fund transformation and mitigate risk.

Why/impact

Somerset County Council will be required to set a balanced budget for the new authority in February 2023. The ongoing provision of services will depend on the financial sustainability of the new council. South Somerset District Council and other district councils have a key role in supporting the budget process.

Summary findings

The challenge to set a balanced budget for the first year of Somerset Council is significant, with a savings target of £38.2m identified. We have identified several key budget key risks that relate to the scale of the commercial property portfolio, the size of the capital programme, the capital financing requirement, reserves, and the level of savings required.

Management Comments

SSDC accepts the recommendation to support Somerset County Council. The budget for the new Somerset Council for 2023/24 has now been agreed.

SLT Lead: Nicola Hix



The range of recommendations that external auditors can make is explained on Page 41.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance management

The District Executive receives quarterly performance reports which include a detailed appendix containing key performance indicators (KPIs) across the five themes of the Council Plan. The themes within the Council Plan relate to: protecting core services; economy; environment; places where we live (housing); and healthy, self reliant communities.

The KPIs are ordered according to the Council Plan theme they contribute to and include the elements of best practice that we would expect to see. The information provided includes a RAG rated KPI summary, with individual KPI performance measured against the annual target and the previous period in order to identify a direction of travel. Supporting information is provided for each KPI to give context or explain variations to performance.

The Quarter Four Performance Report also includes a high level summary of achievements within the five focus areas of the Council Plan and updates for priority projects.

Review of the KPIs reported at Quarter Four 2021/22 does not indicate any risk of significant weakness with regard to the performance of services. At the year-end 26 KPIs were RAG rated green, 5 amber, and 13 red. Where performance is reported as below target and red RAG rated, the supporting narrative provides explanations and actions taken to improve performance.

One example of where the Council has been working to improve performance is in relation to processing new housing benefit claims. The Council has been working with the Department for Work and Pensions to identify actions to improve processing times. Performance reported at Quarter Three 2021/22 was 75 days against the 21 day target, with performance in Quarter Four reported as 60 days. The speed of processing continues to improve, although there have been some monthly fluctuations in performance, with the Quarter Three 2022/23 position reported as 35 days.

The Council has sound arrangements in place for the monitoring, reporting and management of performance. We have found no significant weaknesses in the Council's arrangements and have not identified any improvement recommendations.

Benchmarking and learning from others

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with peers in order to identify areas for improvement.

We noted in the Auditor's Annual Report 2020/21 that the Council does not have a corporate-wide benchmarking approach to routinely undertake financial or performance benchmarking with other local authorities. We made an improvement recommendation that this should be carried out. In view of the limited time between the recommendation being made and vesting day for the new unitary council, management's view was that this recommendation would not be implemented.

Improving economy, efficiency and effectiveness

From discussion with officers working within LGR workstreams, we understand that there is a Digital, Data and Technology sub-workstream. Work is progressing on developing a Digital Strategy and Data Strategy for the new unitary council which will promote a digital culture and define the principles for the effective use of data. A related Business Intelligence Strategy will promote the use of data for business intelligence purposes to enable the comparison and benchmarking of services.

We have undertaken benchmarking using the CFO Insights tool to identify services which have high unit costs in comparison to other district councils. These are identified in the chart opposite. It should be noted that the benchmarking is based on unit costs derived from the budgeted service cost divided by the relevant population. This does not take account of local corporate priority decisions and the associated allocation of resources.

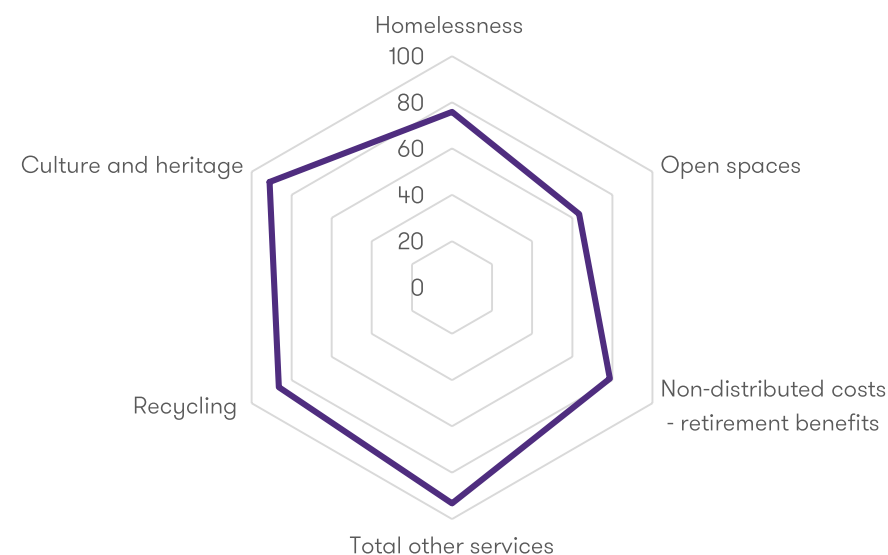
We have discussed these service unit costs with the finance team in order to assess whether the very high unit costs are indicators of weaknesses in arrangements to achieve value for money.

Through the review of benchmarked service cost, it has been identified that apportionments of overheads for support services have not been adjusted to reflect changes in demand or activity for several years. This is particularly noted for open spaces, culture and heritage, and homelessness, and has resulted in significant overheads being charged to these services, thus increasing their unit cost.

While support services can be accounted for differently by councils when completing the statistical returns on which the data is based, we have made an improvement recommendation that the Council should ensure that recharges are made using an appropriate basis for apportionment. This will allow for an accurate assessment of the true cost of services to be made in order to inform decision making and facilitate meaningful benchmarking with peers.

No significant weaknesses with regard to value for money arrangements were noted in the service areas highlighted as high unit cost. We note that efficiencies are being realised within recycling through the roll out of Recycle More across Somerset. Retirement benefit costs include deficit recovery payments which are set by the Actuary to balance the pension deficit over a prudent period.

Services identified as high and very high unit cost



On the spider chart a rank of 50 represents the group median. The group in this case is all district councils. If a measure is closer to the outside of the chart it would be classed as 'very high cost', whereas if the line is closer to zero, then it would be classed as 'very low cost' in comparison to the group.

The data is based on the 2021/22 Revenue Account submissions to the government.

Improving economy, efficiency and effectiveness

Partnership working

We have reviewed how the Council interacts with key partners to develop meaningful actions to be delivered, and how the performance of partners is monitored and fed back to Members. The key partnerships we have considered include:

- South Somerset Families Project – a partnership including schools, health visitors, primary health care and community organisations. The partnership provides tailored support to families to promote a stable environment, improved physical and mental health, and increased educational attainment. This partnership contributes to corporate priorities relating to healthy and self reliant communities;
- Heart of the South West Local Enterprise Partnership – a strategic partnership including local authorities, education and the private sector with the objectives of improving the economy and maximising economic opportunities within the area;
- Somerset Safer Somerset Partnership– a statutory partnership that includes the police, local authorities, the NHS, education and the probation service. The partnership’s objective is to reduce crime and increase community safety, linking to Council priorities for healthy, self reliant communities ; and
- Somerset Waste Partnership – a partnership of local authorities in Somerset to collect and recycle waste, contributing to corporate priorities relating to the environment and mitigating the effects of climate change.

The Council has updated its partnership register in preparation for LGR in order to produce a county-wide register of significant partnerships. The county register includes 355 partnerships, providing information on their purpose, funding, lead Council and supporting commentary.

The Council can demonstrate that it is working with partners to achieve corporate priorities and has adequate arrangements in place on an individual partnership basis.

Procurement and regeneration

The Council’s Procurement Strategic Framework was approved in October 2021, and includes Contract Standing Orders, the Procurement Strategy, Social Value Policy, and the Contract Management Framework. The associated procurement action plan 2021-2023 seeks to refresh and embed effective procurement and contract management processes throughout the Council.

We made an improvement recommendation in the Auditor’s Annual Report 2020/21 that the Council should continue to further strengthen procurement arrangements by ensuring that the actions within the procurement action plan are progressed as planned and through reporting procurement waivers quarterly to the Audit Committee.

Progress against the procurement action plan is monitored by the Procurement, Performance and Change Lead and the Procurement Specialist. Their monitoring demonstrates that many actions are now complete, including the publication of contract opportunities and transparency data, increased use of ProContract, and using data to understand the procurement pipeline. A pragmatic view has been taken as to what can be achieved before LGR and the creation of the new council on 1 April 2023, and what will be progressed by LGR workstreams.

Training on the requirements of the Contract Management Framework has been rolled out during 2021/22 to managers of significant contracts. The new leisure contract with Wealden Leisure from April 2021 is evidence of improved contract management arrangements in operation, through formal contract management meetings, contract KPIs, and an annual performance report produced by the contractor for consideration by the District Executive.

The Council maintains a register of procurement waivers, which provides information on the reason and contract value of waivers. There were 29 waivers granted in 2021/22, totalling £3.3m. The largest waivers relate to a direct award for crematorium equipment that was subject to a voluntary transparency notice, and for a 12 month contract extension for printing services. From discussion with officers we understand that consideration is being given as to how best report waivers to the Audit Committee, with the intention to report in early 2023.

Improving economy, efficiency and effectiveness

The delivery of the Council's regeneration programmes is a focus area within the Council's Annual Action Plan 2021/22. The Council incurred capital expenditure of £9.7m in 2021/22 on town centre regeneration schemes in Chard and Yeovil. The Chard regeneration project delivered a new leisure centre in November 2021, and the capital programme includes further investment for Yeovil, Wincanton and the redevelopment of the Octagon Theatre.

We noted in the Auditor's Annual Report 2020/21 that the anticipated programme funding in the business case for the Chard regeneration project was not realised, resulting in phase two of the project being put on hold. Internal audit reported on lessons learned from the project in February 2022 and identified weaknesses with regard to budget setting and project transparency.

Improvements have been made to regeneration programme governance arrangements, and these were reported to the Audit Committee in May 2022. Improvements include a rigorous gateway decision making process, the use of standard documentation to support the stage review process, and ensuring that the project plan is updated to evidence that the business case objectives are still being met. The Terms of Reference for the Strategic Development Board and Project Boards for regeneration programmes were redrafted in September 2021. Governance arrangements have been strengthened to ensure that decisions involving a change to project scope, quality, timing or budget are approved at District Executive and Full Council.

Therefore the Council can demonstrate that it has implemented the lessons learned resulting from the review of regeneration governance arrangements, in accordance with the improvement recommendation we made in 2020/21.

From our work we have not identified any risk of significant weakness with regard to the Council's arrangements for managing procurement and major contracts.



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 8

The Council should ensure that recharges from support services to front line services are made using an appropriate basis for apportionment when compiling statistical returns.

Why/impact

Using an appropriate basis to apportion support service costs to front line services will allow for an accurate assessment of the true cost of services to be made. Knowing the true cost of service delivery will better inform decision making and facilitate meaningful benchmarking with peers.

Summary findings

Through the review of benchmarked service cost using data from CFO Insights, it has been identified that apportionments of overheads for support services have not been adjusted to reflect changes in demand or activity for several years. This is particularly noted for open spaces, culture and heritage, and homelessness, and has resulted in significant overheads being charged to these services, thus increasing their unit cost.

Management Comments

SSDC accepts the recommendation, but this would need to be considered if applicable in the new Somerset Council.

SLT Lead: Nicola Hix



The range of recommendations that external auditors can make is explained on Page 41.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	When considering making settlement arrangements or payments to employees, the Council should comply with Financial Regulations and the Constitution, and ensure appropriate consultation and approval takes place with statutory officers and Members.	Statutory	August 2022	Full Council considered the statutory recommendation at their meeting of 22 September 2022, which was accepted. The supporting report from the Chief Executive, Monitoring Officer and S151 Officer sets out a revised procedure note to be followed when considering settlement agreements, for adoption with immediate effect.	Yes	The Council has adequately responded to the statutory recommendation and the approval of the revised procedure note gives assurance to Members and the public that the correct process will be followed in the future.
2	Ensure there is sufficient capacity within the finance team and other Council staff that support the production of the financial statements and their external audit.	Key	August 2022	We have yet to complete the audit of the Council's financial statements for 2021/22. We will consider fully the Council's response to the key recommendation we made last year as part of the financial statements audit 2021/22.	To be confirmed.	We will report on the robustness of arrangements the Council has put in place to support the production and external audit of the financial statements once the audit is complete.
3	The Council should develop a clear plan to address and mitigate the risks that it is exposed to as a result of investing in commercial property.	Key	August 2022	The Council can demonstrate that it has made progress in implementing this key recommendation. For example, Full Council has resolved that no further commercial investments will be undertaken and the Commercial Strategy updated to focus on management of the existing portfolio. The Commercial Investment Risk reserve has been maintained and an LGR workstream is reviewing the strategy for the new council.	Yes	The new unitary council will inherit a significant commercial property portfolio from all the four Somerset district councils, and will thus be exposed to continued significant risk with regard to commercial property income and financing. We have identified this as a key 2023/24 budget risk for the new council.
4	Arrangements for reporting the risk register to the Audit Committee should be strengthened, including increasing the frequency of reporting and including mitigating actions.	Improvement	August 2022	The Council has made progress in implementing the improvement recommendation, with the Audit Committee receiving quarterly risk registers as a public agenda item. Only red RAG rated risks are reported in detail and additional information is provided on mitigating actions. However, risks are not mapped to corporate priorities.	Partly	We have made a further improvement recommendation that risks within the risk register reported to the Audit Committee should be mapped to corporate objectives.
5	The progress made in implementing previous internal audit recommendations should be routinely reported for all high priority recommendations.	Improvement	August 2022	A new recommendation tracking tool has been developed that uses SharePoint and Power BI. The intention is that the recommendation position will be presented to the Audit Committee twice a year, with the first report due in early 2023.	Yes	None.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
Page 92	6 The Council should ensure that it implements the actions plans relating to the baseline maturity of fraud and whistleblowing investigation, including formal adoption of the new Employee Code of Conduct.	Improvement	August 2022	The Council can demonstrate that progress has been made in improving the arrangements to prevent and detect fraud and corruption, for example through reporting on fraud activity to the Audit Committee, the adoption of a new officer Code of Conduct and by undertaking fraud awareness training.	Yes	None.
	7 The outturn report should accurately reflect key financial information, such as the General Fund balance.	Improvement	August 2022	The outturn report for 2021/22 discloses a General Fund balance of £5.6m as at 31 March 2022, with the statement of accounts reporting a balance of £6.6m. The revenue budget monitoring report for Quarter One 2022/23 correctly reports the opening General Fund balance as £6.6m. Therefore the error noted in the outturn report in 2020/21 has been repeated in the outturn report for 2021/22.	No	We have not made any further recommendations on this matter, as the position was correctly reported in the accounts and subsequent budget monitoring. However, budget outturn reports should be checked to ensure that key financial information is correctly reported to Members.
	8 The Council should ensure that it consults with residents and businesses as part of the budget process.	Improvement	August 2022	The 2022/23 budget was balanced through the favourable financial settlement and through realignment of budgets through a zero based budget approach. The budget did not include savings from reductions in services. In this context there was no external budget consultation.	No	No further action. Not undertaking a budget consultation is considered reasonable in the context of 2022/23 being the last year that the Council will exist, and where there were no savings from service reductions included within the budget.
	9 The Council should consider the requirement for a separate business plan to be approved for future investments through SSDC Opium Power.	Improvement	August 2022	We understand from discussions with Company Directors that as the original business case has not changed there have not been further business cases submitted to Council for approval. Internal Audit have identified some areas where monitoring and oversight could be strengthened.	No	We have made an improvement recommendation that the Council should seek to further strengthen governance arrangements for SSDC Opium Power Ltd by approving an annual business plan and by implementing the recommendations made by Internal Audit.
	10 The Council should ensure that it complies with the revised 2003 Regulations when they are published by providing MRP provision on capital loans to third parties.	Improvement	August 2022	We will review the Council's MRP charge, its prudence, and compliance with regulations, as part of the audit of the 2021/22 financial statements. This work is not yet complete.	No	The Council should ensure that it provides a prudent MRP charge to the General Fund, and complies with the revised 2003 Regulations when they are published, by providing MRP provision on capital loans to third parties.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
11	The Council should consider a risk based calculation for the minimum prudent General Fund balance and include this within the annual budget report.	Improvement	August 2022	In view of local government restructuring and the reality that South Somerset will not undertake another independent budget setting process, this recommendation was noted and highlighted for consideration by the successor unitary council.	This should now be considered by Somerset Council.	We will assess the arrangements for calculating the minimum prudent GF balance for Somerset Council as part of our 2022/23 value for money work.
12	The Council should introduce a corporate benchmarking approach to compare performance and cost with peer organisations.	Improvement	August 2022	In view of the limited time between the recommendation being made and vesting day for the new unitary council, management's view was that this recommendation would not be implemented.	N/A	None.
13	The Council should ensure that it applies the learning identified from the transformation programme to future strategic change programmes.	Improvement	August 2022	Discussions with officers confirm that the lessons learned report from the transformation programme was not formally shared with the LGR programme. However, SWAP did produce a lessons learned report from discussions with Dorset Council in August 2022, as Dorset Council had undertaken similar LGR work. Key findings and feedback were identified relating to governance, resourcing, people and communications.	Yes	None.
14	The Council should continue to further strengthen procurement arrangements, specifically ensuring actions within the procurement action plan are progressed and reporting waivers to the Audit Committee.	Improvement	August 2022	Many actions from the procurement action plan are now complete. A pragmatic view has been taken as to what can be achieved before LGR, and what will be progressed by LGR workstreams. Consideration is being given as to how best report waivers to the Audit Committee, with the intention to report in early 2023.	In progress.	We will review the process for reporting waivers to the Audit Committee as part of our 2022/23 value for money work.
15	The Council should ensure that it implements the lessons learned from the review of regeneration governance arrangements.	Improvement	August 2022	Improvements have been made to regeneration programme governance arrangements. These include a rigorous gateway decision making process, the use of standard documentation to support the stage review process, and ensuring that the project plan is updated to evidence that the business case objectives are still being met.	Yes	None.

Opinion on the financial statements



Audit opinion on the financial statements

We have yet to complete the audit of your financial statements for 2021/22. We will provide a further update on our progress to the Audit Committee.

Audit Findings Report

We will issue our Interim Audit Findings Report to the Council's Audit Committee in March 2023. We will provide a further and final iteration of the report once the audit of the financial statements is complete.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. Instructions for 2021/22 component auditors have now been issued and on the completion of our audit work we intend to certification of the closure of the 2021/22 audit of South Somerset District Council in the audit report.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Governance was identified as a potential significant weakness with regard to the arrangements to transition to the new authority, see page 11 for more details.	We have undertaken additional work to assess the LGR programme's governance arrangements.	There are good governance arrangements in place to manage the complex task of local government reorganisation in Somerset. Progress is closely managed and monitored and at the time of writing no material gaps in delivery of products for vesting day have been identified.	Appropriate arrangements are in place, with three improvement recommendations raised.
Financial sustainability was identified as a potential significant weakness with regard to the arrangements to transition to the new authority, see page 22 for more details.	We have undertaken additional work to assess the progress made across key financial LGR workstreams.	There is a robust process in place for delivering a balanced budget for 2023/24, but the scale of savings required to achieve a balanced position for the first year of Somerset Council represents a significant challenge.	Appropriate arrangements are in place, with four improvement recommendations raised.
Improving economy, efficiency and effectiveness was not identified as a potential significant weakness.	No additional procedures undertaken.	Appropriate arrangements are in place to improve economy, efficiency and effectiveness.	Appropriate arrangements are in place, with one improvement recommendation raised.

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	Not applicable.
Key Page 98	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No.	Not applicable.
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes.	Pages 13-15 Pages 25-28 Page 33



SWAP Internal Audit Plan Outturn Report 2022-23

SWAP CEO:	Dave Hill – Chief Executive - SWAP
Lead Officer:	Alastair Woodland – Assistant Director
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Purpose of the Report

To update members on the Internal Audit Plan 2022/23 progress and bring to their attention any significant findings identified through our work since the previous update in January.

Public Interest

Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes.

Recommendations

1. Members are asked to note progress made in delivery of the 2022/23 internal audit plan and the significant findings since the previous update.

Background

The Internal Audit function plays a central role in corporate governance by providing independent assurance to the Audit Committee over the effectiveness of internal controls, governance and risk management. The 2022/23 Annual Audit Plan was approved by the Audit Committee at its March 2022 meeting and is to provide independent and objective assurance on SSDC's Internal Control Environment and this work will support the Annual Governance Statement.

Report Detail

This report summarises the work of the Council's Internal Audit Service and provides:

- Details of any new significant weaknesses identified during internal audit work completed since the last report to the committee in January 2023.
- 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.

Please refer to the attached SWAP Progress Report 2022-23 for further details.

Financial Implications

There are no financial implications associated with these recommendations.

Council Plan Implications

Delivery of corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, SWAP Internal Audit Services.

Carbon Emissions and Climate Change Implications

There are no implications arising from this report.

Equality and Diversity Implications

There are no implications arising from this report.

Background Papers

- Internal Audit Plan and Charter 2022-23 March 2022
-



SWAP

INTERNAL AUDIT SERVICES

Helping Organisations to Succeed

South Somerset District Council

Report of Internal Audit Activity

2022-23 Outturn Report March 2023

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Internal Audit Plan Progress 2022-23

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for the South Somerset District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting in March 2022.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Management Team. This 2022-23 Audit Plan was reported to and approved by this Committee at its meeting in March 2022. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2022-23

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.



Internal Audit Work Programme Update

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2022/23. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on **Appendix A** of this document.

The following table summarises Audits finalised since the last update in January 2023:

Audit Area	Opinion
Recommendation Tracking & Reporting	Advisory
Records Management	Limited
Octagon Theatre Expansion	Advisory
Council Tax and NDR Follow Up	Follow Up

Please refer to **Table 2** in **Appendix B** for LGR complete and on-going work.

Appendix C at the end of this report provides the details on the **Records Management** and **Council Tax and NDR Follow Up**.

Internal Audit Plan Progress 2022-23

Significant Corporate Risks
Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time.



Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in **Appendix A**. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with significant corporate risks.



Approved Changes to the Audit Plan

We will regularly re-visit and adjust our rolling programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls. Details of our current work areas are provided in **Appendix B**.

There are no plan changes to communicate since the January 2023 update report.

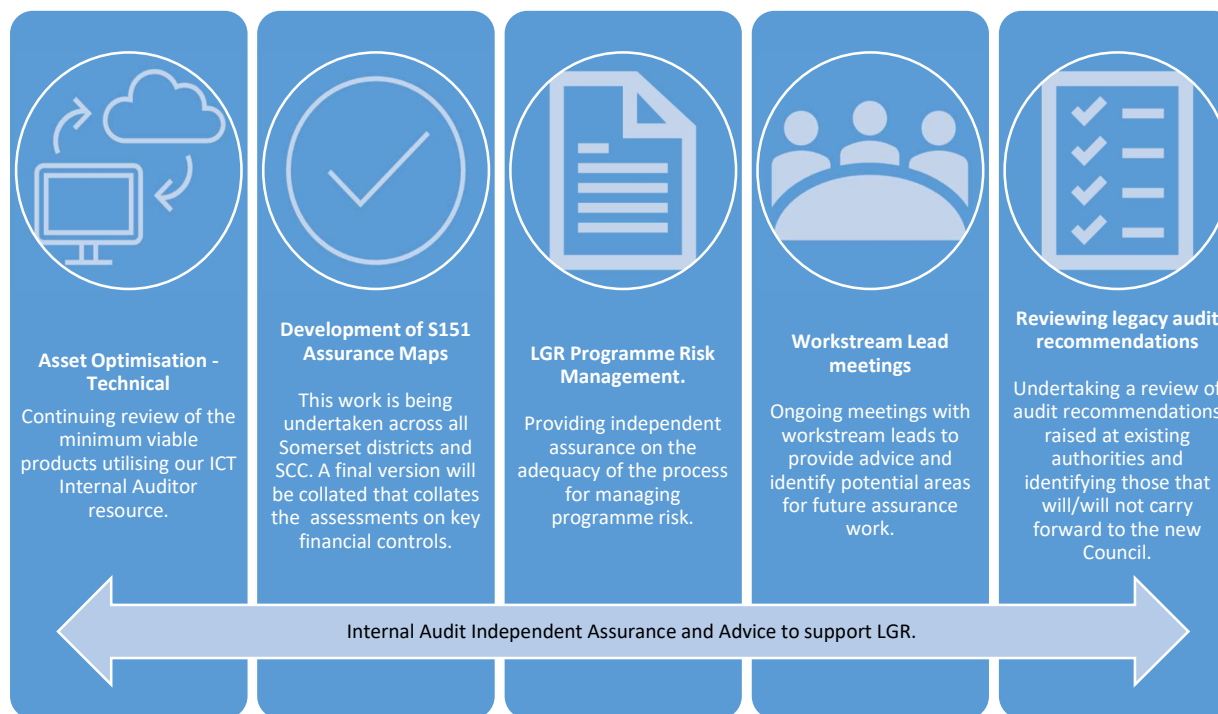
Internal Audit Plan Progress 2022-23

Supporting the formation of the new unitary authority by providing advice and independent assurance on activities being undertaken via the workstreams.



Support for LGR

As part of our planning for 22/23 we have included time to provide Unitary Programme Assurance Work as well as Unitary Workstream support. Most Programme Assurance will be covered by the PWC Quality Reviews. We should be able to take assurance from their work to contribute to the Internal Audit Annual Opinion to avoid any duplication. We will provide a critical friend role to LGR work supporting delivery of outcomes. This is advisory/consultative work with rapid feedback via meetings/e-mail, or brief summary reports. Some of the areas we're focussing on are detailed in the chart below.



Internal Audit Plan Progress 2022-23

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SSDC Plan Performance

SWAP performance is subject to regular monitoring review by both the Board and at Member Meetings. The current performance results for the Council are as follows:

Performance Target	SSDC Performance
<u>Audit Plan – Percentage Progress</u>	
Final and Draft	90%
In Progress	10%
Not Started	0%
<u>Audit Plan – Delivery</u>	
On course to deliver at least 90% of plan by year end (Annual Opinion)	Yes
<u>Quality of Audit Work</u>	
Customer Satisfaction Questionnaire	98.7%

Assurance Definitions

No	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.
Limited	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.
Reasonable	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.
Substantial	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.
Non-Opinion/Advisory	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
High	Issues that we consider need to be brought to the attention of both Senior Management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	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:

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor	Comments
					Recommendation			
					1	2	3	
Completed Work								
Grant Certification	Arts Council Culture Recovery Fund grant certification	Complete	Advisory	-	-	-	-	
Grant Certification	Protect and vaccinate – CIA sign off	Complete	Advisory	-	-	-	-	
Grant Certification	Covid Outbreak Management Fund – CIA Sign off	Complete	Advisory	-	-	-	-	
Assurance	Yeovil Cemetery & Crematorium Annual Accounts	Complete	Substantial	-	-	-	-	
Grant Certification	Covid-19 Grants – Restart Grant Post Payment Assurance – CIA sign-off	Complete	Reasonable	-	-	-	-	
Advisory	Unitary Lessons Learned	Complete	Advisory	-	-	-	-	
Advisory	Baseline of Maturity for Fraud Risk	Complete	Advisory	-	-	-	-	Reported January 2023
Assurance	Commercial Rents	Complete	Limited	11	-	4	7	Reported January 2023
Assurance	Opium arrangements	Complete	Reasonable	4	-	4	-	Reported January 2023
Follow Up	Lufton Depot	Complete	Follow Up	15	-	5	-	Reported January 2023
Assurance	Civil Emergencies	Complete	Substantial	0	-	-	-	
Assurance	Yeovil Rec improvements	Complete	Reasonable	1	-	1	-	
Advisory	NEW: Recommendation Tracking & Reporting	Complete	Advisory	-	-	-	-	

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor	Comments
					Recommendation			
					1	2	3	
Advisory	Octagon Theatre Expansion	Complete	Advisory	-	-	-	-	
Follow Up	Council Tax and NDR Follow Up	Complete	Follow Up	1	-	1	-	See Appendix C
Assurance	Records Management	Complete	Limited	3	-	3	-	See Appendix C
Advisory	Use of consultants	Complete	Advisory	-	-	-	-	
Reporting								
Assurance	Energy Rebate Post Assurance	Draft						
Assurance	Health & Safety Framework	Draft						
In Progress								
Grant Certification	Decarbonisation Grant - CIA sign off	In Progress	Advisory					
Grant Certification	Test and Trace Support Payment Scheme – grant certification	In Progress	Advisory					

Table 2: LGR Support & Assurance Work

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Complete								
Advisory	PCIDSS	Complete	Advisory	-	-	-	-	
Advisory	Data Centre	Complete	Advisory	-	-	-	-	
Advisory	IT Minimum Viable Products	Complete	Advisory	-	-	-	-	
Advisory	M365 and Active Directory	Complete	Advisory	-	-	-	-	
Advisory	Cyber Security Strategy Framework	Complete	Advisory	-	-	-	-	
Advisory	Cyber Security Training and Awareness	Complete	Advisory	-	-	-	-	
Advisory	Disaster Recovery and Incident Response	Complete	Advisory	-	-	-	-	
Advisory	S151 Assurance Map	Complete	Advisory	-	-	-	-	
Advisory	LGR Programme Risk Management	Complete	Advisory	-	-	-	-	
Advisory	Local Community Networks (Support)	Complete	Advisory	-	-	-	-	
Assurance	Business Continuity	Complete	Advisory					
In progress/Ongoing/Draft								
Advisory	Risk Management Workstream Support	Ongoing	Advisory	-	-	-	-	
Advisory	Asset Optimisation: Technical Workstream Support	Ongoing	Advisory	-	-	-	-	

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Advisory	Legacy Audit Recommendations & AGS Actions	In progress						
Assurance	Payroll – Data matching/validation	In progress						
Waiting to Start								
Advisory	Service Alignment Strategy and Policy Review	Waiting to Start	Advisory	-	-	-	-	
Advisory	Tech Forge Data Validation	Waiting to Start	Advisory	-	-	-	-	

Please note that PWC are the Quality Assurance provider overseeing the whole LGR programme and provide monthly updates to the Programme Board.

Records Management – Limited Assurance – February 2023

SSDC Records Management – Final Report – February 2023



Audit Objective To provide assurance on the design of the Council's record management framework and managements' self-assessment of how records are being managed under this.

Assurance Opinion	Number of Actions		Risks Reviewed	Assessment
	Priority	Number		
<p>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.</p>	Priority 1	0	Records are not classified, stored, secured, or disposed of in accordance with local requirements and legislation, resulting in potential financial losses, breaches, fines, legal action, reputational damage, and inaccessibility to staff.	Medium
	Priority 2	3		
	Priority 3	0		
	Total	3		

Key Findings	
	The Data Protection Policy does not specify roles and responsibilities in relation to record management. The policy also has gaps in terms of guidance and training. Although it has been noted this will be addressed as part of the Record Management Local Government Reorganisation Workstream.
	Both the Information Asset Register (IAR) and Document Retention Schedule (DRS) were created in 2017/2018 however neither were formally approved and are now out of date. Work has not been started to rectify this due to the Local Government Reorganisation (LGR).
	No regular storage analysis is being carried out, with no oversight to ensure that disposals are taking place as required. Some systems have no function to dispose of records, which would result in non-compliance with DPA, and as some systems will be in place beyond vesting day the risk will be carried over to the new authority.
	LGR preparations are well under way, and the sub workstream for Records Management have created proposals for the new authority. If LGR were not happening, more work would be carried out to rectify the findings, however given the situation, the council felt it was not a good use of resources.

Audit Scope
This was a high-level review of the controls in place to manage corporate records, including roles and responsibilities, policies and procedures, the Information Asset Register (which includes document retention information), and organisational awareness of information assets held, document retention and ease of accessibility.
The review also included a survey which will be sent to all Heads of Service to gain their self-assessment on records management compliance within their service areas. The questions were agreed with the Data Protection Officer and District Solicitor and Monitoring Officer in advance, and the results are collated, analysed, and shared as part of the review.
Brief oversight of the LGR Record Management workstream was included to ascertain the forward plans for the council.

Other Relevant Information
Below are other key areas that will be reviewed/completed as part of the LGR Record Management Workstream:
<ul style="list-style-type: none"> A single RM Strategy, linking into the Data Strategy. A single Retention Schedule, linking into Information Asset Register and Record Of Processing Assets. Expand Somerset County Councils' (SCC's) Records Management Service for the provision of in-house storage, management, and disposition for paper records. All dormant paper records in storage areas to be managed using SCC's store management system (DWM) and processes.

Council Tax and NDR Follow Up – February 2023

Council Tax and NNDR Follow Up – Final Report – February 2023



Follow Up Audit Objective

To provide assurance that agreed actions to mitigate against risk exposure identified within the 2021/22 Limited opinion audit of Council Tax and NNDR report have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	-	-	-	-
Priority 2	3	1	-	4
Priority 3	1	-	-	1
Total	4	1	-	5

Follow Up Assessment

The original audit of Council Tax and National Non-Domestic Rates (NNDR) was completed in March 2022 and received a Limited assurance opinion. The objective of the audit was to establish if key financial system controls for Council Tax and NNDR are operating effectively, and the opportunities for error, fraud or corruption are minimised.

The follow up audit has found the majority of actions have now been completed. Key findings from the audit follow up have been summarised below.

Key Findings



Reconciliations on annual bills printed and posted by Latcham are still outstanding. Discussions have been held with Latcham on how they need to process bill batches to ensure clarity on what has been completed. The next annual billing run will hopefully confirm this has been resolved.



Single Person Discount (SPD) reviews have been completed.



Recovery agent procurement has been completed and contracts have been signed. The recovery of debts that have gone to court has now restarted.

Further Information

Testing has been performed in relation to all priority 1 and 2 actions and supporting evidence obtained to support implementation of actions. Follow-up of the priority 3 action is based on self-assessment by the responsible manager.

Good progress has been made on these actions. The only remaining action is reliant on the supplier completing the annual billing printing and posting in a systematic way so that it is easy to reconcile at the end of the process.

Appendix A details the progress made for each action raised in the audit.

Internal Audit Annual Opinion Report 2022-23

SWAP CEO
Lead Officer:
Contact Details:

David Hill – Chief Executive SWAP
Alastair Woodland – Assistant Director
Alastair.woodland@southsomerset.co.uk

Purpose of the Report

This report provides an update on the position of the Internal Audit Plan at the end of 2022/23 and also provides Internal Audit's overall 'Opinion' on the systems of governance, risk management and internal control at South Somerset District Council.

Public Interest

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS).

Recommendations

1. Members are asked to note the Annual Opinion on the effectiveness of governance, risk management and internal control in the delivery of SSDC objectives.

Background

The Audit Committee agreed the original 2022/23 Internal Audit Plan at its March 2022 meeting, with progress updates provided during the year.

This report summarises the work of the Council's Internal Audit Service and provides:

- A summary of the key risks that were identified during the 2022/23 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 2022/23 is contained within the attached SWAP report.

Report Detail

Please refer to the attached SWAP Annual Opinion Report 2022-23

Financial Implications

There are no financial implications associated with these recommendations.

Council Plan Implications

Delivery of corporate objectives requires strong internal control. The attached report provides a summary of the audit work carried out to date this year by the Council's internal auditors, SWAP Internal Audit Services.

Carbon Emissions and Climate Change Implications

There are no implications arising from this report.

Equality and Diversity Implications

There are no implications arising from this report.

Background Papers

- Internal Audit Plan and Charter 2022-23 March 2022
 - Internal Audit Progress Update Report September 2022
 - Internal Audit Progress Update Report January 2023
 - Internal Audit Outturn Report March 2023
-

South Somerset District Council

Internal Audit Annual Opinion Report 2022/23

Page 118

Internal Audit Annual Opinion – 2022/23: 'At a Glance'

Annual Opinion



There is generally a 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.

- Medium risk rated weaknesses identified in individual audit engagements.
- Isolated high risk related weaknesses identified for isolated issues.
- No critical risk rated weaknesses identified.
- Internal Audit is broadly satisfied with management's approach to resolving identified issues.

The Headlines



0 Significant Risk identified in year after testing the controls in place.
No significant corporate risks identified during the delivery of the 22/23 internal audit plan.



21 reviews included in the 2022/23 Internal Audit Plan.
Includes assurance, advisory and follow up reviews (17 final/complete, 2 at draft and 2 in progress).



Chief Internal Auditor Sign off on Grants.
Reviews undertaken to provide Chief Internal Auditor sign off on grant monies received by the Council. Work undertaken in these areas can still be used to inform out annual opinion.



LGR Advice and Assurance work being undertaken.
17 projects are being undertaken to support the Somerset Councils in delivering Local Government Reorganisation (LGR). 11 are complete, 4 in progress/ongoing/Draft and 2 are waiting to start.

In particular reviews covering; Business Continuity, Risk Management and ICT coverage, provide us with oversight on the internal controls being set up both within the existing authorities and for the new authority.

Internal Audit Assurance Opinions

	22/23	21/22
Substantial	2	0
Reasonable	3	3
Limited	2	1
No Assurance	0	0
Advisory / Grant	8	10
Follow Up	2	3
LGR	17	-

Internal Audit Agreed Actions 2022-23

	22/23	21/22
Priority 1	0	0
Priority 2	12	20
Priority 3	7	12
Total	19	32

Final Reports Only

Internal Audit Annual Opinion 2022/23

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Background

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

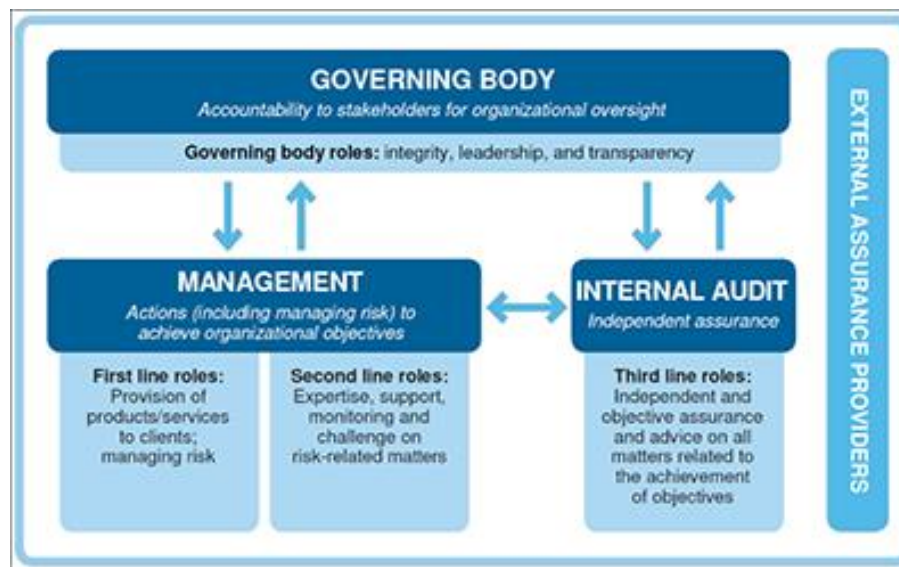
The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

The Internal Audit service for South Somerset District Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2022/23 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



Internal Audit Annual Opinion 2022/23

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2022/23 audit work for South Somerset District Council, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Internal Audit has not reviewed all risks and assurances relating to South Somerset District Council and cannot provide absolute assurance on the internal control environment. Senior Management and Members are ultimately responsible for ensuring an effective system of internal control. Audit Coverage is considered adequate to provide an overall opinion.

The Annual Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Grant certification work.
- Advisory and assurance work covering the key work streams within Local Government Reorganisation (LGR).
- Assurances from other key sources and providers, including third parties, regulator reports etc. such as the PWC monthly quality assurance reports for LGR.

In forming our annual opinion for 2022-23, the work throughout this year has been split between providing assurance on business as usual (BAU) areas as well as support and assurance over various products being delivered as part of LGR. See **Appendix A – Table 2** for a summary of LGR work.

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion Continued

The types of work undertaken at the districts, coupled with the imminent changes for LGR have resulted in a reduction in formal actions being raised through reviews as actions/advice are provided during the course of our work based on risk and priorities to the 31 March when systems/processes will be subject to major change, such as the roll out of a new finance system for the new authority.

In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic risks where possible. A summary of audit work carried out against the Council's risks are summarised in table 1 below. It must be noted that it is not possible to cover all key risks in any one year but to provide coverage over the medium term.

Internal Audit Annual Opinion 2022/23

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.

The South Somerset District Council Risk Register is a live document and subject to change throughout the year as the risk environment that SSDC operates in changes. Therefore, this table reflects a summary of coverage against shifting priorities throughout the year in terms of corporate and operational risks.

Audit Coverage by Corporate Risk

Table 1: Audit Coverage by Strategic Risk

The South Somerset District Council (SSDC) Risk Register is a live document and subject to change throughout the year as the risk environment that SSDC operates in changes. Therefore, the table below reflects a summary of coverage against shifting priorities throughout the year in terms of corporate risk and issues.

Table Key	Reasonable coverage	Partial coverage	No coverage
Strategic Risk	22-23	21-22	
Failures in Statutory compliance and practice - Health & Safety			
LGR Programme creates tensions shifting priorities/tensions between BAU & LGR work			
Capital costs are spiralling			
Risk of a potential lack of organisational capacity to deliver key objectives			
Risk that SSDC Members lose engagement and focus on strategic priorities post-election during unitary transition			
Failure in Statutory compliance and practice - Information Governance			
Ineffective or inadequate delivery to customers through SSDC partnerships			
COVID - Risk of SSDC not being prepared for Business Continuity issues / Civil contingency enactment			
Failure in Statutory compliance and practice - Equalities			
Management of commercial investments			
Governance and decision making around use of public money			

Coverage of the risks above has been supported by both delivery of SSDC plan as well as LGR projects and wider climate change audits.

Internal Audit Annual Opinion 2022/23

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that are related to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit Committees attention. For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Review Name / Risks
No High Risks in Period

Summary of Limited Assurance Audits

Audit Name	Risk Rating	Priority Findings		
		1	2	3
Commercial Rents	Medium	-	4	7
Records Management	Medium	-	3	-

Note all these audits have been reported throughout 2022-23 to the Audit Committee.

Summary of Audit Work 2022/23

At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion:

- **Substantial** - A sound system of governance, risk management and control exists.
- **Reasonable** - Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.
- **Limited** - Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.
- **None** - The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives.

SWAP Performance - Summary of Audit Actions by Priority

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action.

Summary of Audit Opinion

Figure 1: Assurance Opinions

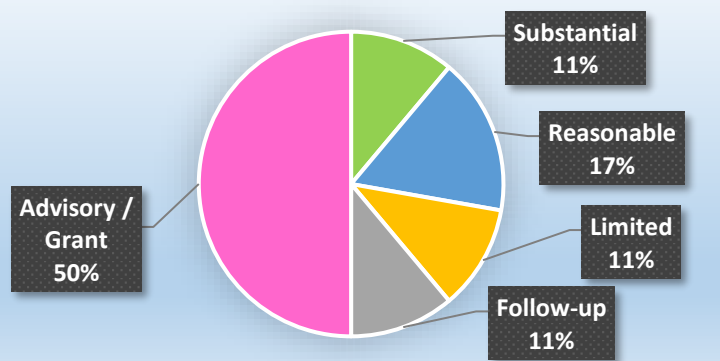
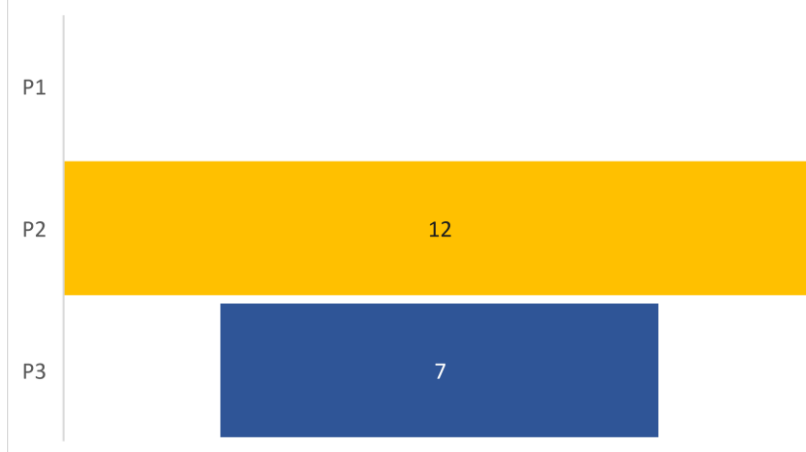


Figure 1 indicates the spread of assurance opinions across our work during the past year (2022-23). Due to LGR there has been a continued focus on the advisory audits.

FIGURE 2: AGREED PRIORITY ACTIONS 2022-23



A number of advisory reviews do not have priorities rating recommendations, such as grant certification and lessons learned.

Plan Performance 2022/23

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for SSDC for the 2022/23 year are as follows:

Performance Target	Performance
Overall client satisfaction <i>did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence</i>	98.7%
Value to the organisation <i>client view of whether our audit work met or exceeded expectations, in terms of value to their area</i>	96.7%

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was assessed in February 2020 and confirmed that we are in conformance to PSIAS. Our on-going annual self-assessment shows continued conformance.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

Summary of Internal Audit Work 2022/23

Table 1 – SSDC Internal Audit Plan

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor	Comments
					Recommendation			
					1	2	3	
Completed Work								
Grant Certification	Arts Council Culture Recovery Fund grant certification	Complete	Advisory	-	-	-	-	
Grant Certification	Protect and vaccinate – CIA sign off	Complete	Advisory	-	-	-	-	
Grant Certification	Covid Outbreak Management Fund – CIA Sign off	Complete	Advisory	-	-	-	-	
Assurance	Yeovil Cemetery & Crematorium Annual Accounts	Complete	Substantial	-	-	-	-	
Grant Certification	Covid-19 Grants – Restart Grant Post Payment Assurance – CIA sign-off	Complete	Reasonable	-	-	-	-	
Advisory	Unitary Lessons Learned	Complete	Advisory	-	-	-	-	
Advisory	Baseline of Maturity for Fraud Risk	Complete	Advisory	-	-	-	-	Reported January 2023
Assurance	Commercial Rents	Complete	Limited	11	-	4	7	Reported January 2023
Assurance	Opium arrangements	Complete	Reasonable	4	-	4	-	Reported January 2023
Follow Up	Lufton Depot	Complete	Follow Up	5	-	5	-	Reported January 2023
Assurance	Civil Emergencies	Complete	Substantial	0	-	-	-	
Assurance	Yeovil Rec improvements	Complete	Reasonable	1	-	1	-	

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor	Comments
					Recommendation			
					1	2	3	
Advisory	NEW: Recommendation Tracking & Reporting	Complete	Advisory					
Advisory	Octagon Theatre Expansion	Complete	Advisory	-	-	-	-	
Follow Up	Council Tax and NDR Follow Up	Complete	Follow Up	1	-	1	-	Reported March 2023
Assurance	Records Management	Complete	Limited	3	-	3	-	Reported March 2023
Advisory	Use of consultants	Complete	Advisory	-	-	-	-	
Reporting								
Assurance	Energy Rebate Post Assurance	Draft						
Assurance	Health & Safety Framework	Draft						
In Progress								
Grant Certification	Decarbonisation Grant - CIA sign off	In Progress	Advisory					
Grant Certification	Test and Trace Support Payment Scheme – grant certification	In Progress						

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Summary of Internal Audit Work 2022/23

Table 2: LGR Support & Assurance Work

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Complete								
Advisory	PCIDSS	Complete	Advisory	-	-	-	-	
Advisory	Data Centre	Complete	Advisory	-	-	-	-	
Advisory	IT Minimum Viable Products	Complete	Advisory	-	-	-	-	
Advisory	M365 and Active Directory	Complete	Advisory	-	-	-	-	
Advisory	Cyber Security Strategy Framework	Complete	Advisory	-	-	-	-	
Advisory	Cyber Security Training and Awareness	Complete	Advisory	-	-	-	-	
Advisory	Disaster Recovery and Incident Response	Complete	Advisory	-	-	-	-	
Advisory	S151 Assurance Map	Complete	Advisory	-	-	-	-	
Advisory	LGR Programme Risk Management	Complete	Advisory	-	-	-	-	
Advisory	Local Community Networks (Support)	Complete	Advisory	-	-	-	-	
Assurance	Business Continuity	Draft	Advisory	-	-	-	-	
In progress/Ongoing/Draft								
Advisory	Risk Management Workstream Support	Ongoing	Advisory	-	-	-	-	
Advisory	Asset Optimisation: Technical Workstream Support	Ongoing	Advisory	-	-	-	-	

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Advisory	Legacy Audit Recommendations & AGS Actions	In progress						Deadline 31 March 2023
Assurance	Payroll – Data matching/validation	In progress						
Waiting to Start								
Advisory	Service Alignment Strategy and Policy Review	Waiting to Start	Advisory	-	-	-	-	
Advisory	Tech Forge Data Validation	Waiting to Start	Advisory	-	-	-	-	

Please note that PWC are the Quality Assurance provider overseeing the whole LGR programme and provide monthly updates to the Programme Board.



SSDC Strategic & Corporate Risk Register for Quarter 4

Strategic Director:	Nicola Hix - Strategy and Commissioning
Service Manager:	Brendan Downes - Lead Specialist, PPC
Lead Officer:	Brendan Downes - Lead Specialist, PPC
Contact Details:	brendan.downes@southsomerset.gov.uk

Purpose of the Report

1. This report is provided to inform Audit Committee on the status of the Strategic and Corporate Risk Register at close of Quarter 4 and cover arrangements to transition the District risks to the new Somerset Council. The date of report extract from the risk system is 7th March 2023.

Public Interest

2. Effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving our ability to deliver key priorities, improve outcomes for residents, maintain good governance and minimise any damage to its reputation.

Recommendation

3. Audit committee note the closure and assimilation of SSDC strategic & corporate risks into the proposed new Somerset Council risk register.

Background

4. Risk: "The effect of uncertainty on objectives, often described by an event or a change in circumstances"
5. Risk Management: "Coordinated activities to direct and control an organisation with regard to risk"

Report Detail

6. The report presents the status of the 11 Strategic and 22 Corporate risks for SSDC on the 7th March 2023.



Changes to the strategic and corporate risk profile since the Q3 report

7. No new strategic or corporate risks were identified in the period since the last update (January 12th) and no risks scores were amended.
8. 5 Risks were closed as they are no longer relevant to maintain and were not deemed to be appropriate for assimilation into the new Somerset Council strategic risk register. These risks are:
 - REP-01 Risk that SSDC members lose engagement and focus on strategic priorities post election and during unitary transition
 - FIN-05 - Further local or national pandemic restrictions impacting daily council business
 - PAP-05 - Loss of stakeholder support to projects
 - REP-03 - Risk of reputational damage if regeneration projects are not delivered or proposed changes are not well presented.
 - REP-02 - Risk of reputational harm to SSDC due to all ongoing issues
9. The remaining risks have been considered and assimilated into the developing Somerset Council risk register as described below.

Transition of SSDC strategic and corporate risks into the new Somerset Council Risk register

10. As advised in Q3 report, work to establish a new risk framework for the new Somerset Council is progressing well. Alongside the development of the new risk framework and policy the strategic and corporate risks of the four District Councils have been consolidated in February 2023, enabling the creation of the Somerset Councils emergent risk register encompassing existing SCC, Districts and strategic LGR programme registers. This is detailed in the table below.
11. The table shows the legacy SSDC risks and their alignment to the emerging Somerset Council risks. A number of risks will also be assigned to service level risk registers in the new council and have been identified as such. It should be noted that at the time of this report the Somerset Council risk register is still at a proposal stage and has not been agreed or “gone live”, so this is shared only to illustrate to members that the SSDC risk profile is being considered within the new design.

Title	SSDC Legacy Risk Title	SSDC Risk Score	SSDC Level	Status	Related Somerset Council Risk (Proposed)	Risk Narrative
GAL-01	Failure in Statutory compliance and practice - Information Governance	14	Strategic	Migrated and integrated	ORG0053 - Organisational resilience	Without the minimum level of capacity and resource, the resilience of the organisation is compromised.
DOS-01	COVID - Risk of SSDC not being prepared for Business continuity issues / Civil contingency enactment	13	Strategic			
PEOPLE-03	Inability to recruit to meet resourcing needs	21	Corporate			
DOS-04	Risk to the confidentiality, integrity, or availability of information assets due to malicious activity or user error.	19	Corporate			
GAL-05	Failure to deliver mandatory statutory functions (e.g. planning, licensing)	15	Corporate			
PAP-02	Capital costs are spiralling	20	Strategic	Migrated and integrated	ORG0057 - Sustainable MTFP	<p>The forecast costs of services in the form of the 2023/24 Somerset Council budget must match the financial resources available. There is a risk that the current high inflationary pressures adverse impact on the costs of services, HRA and capital programme whilst income levels do not increase, resulting in a significant budget gap for 2023/24 and future years. There is also the risk that new legislation introduced by government, such as the fair cost of care, is not fully funded causing an adverse financial impact and further funding pressures.</p> <p><i>(Note: The strategic MTFP risk may be expanded or be supported by more granular service level risks as these are agreed and defined.)</i></p>
FIN-07	Governance and decision making around use of public money	8	Strategic			
DOS-02	Increasing numbers of public needing our services	25	Corporate			
FIN-03	Lower Business Rates Income than anticipated	21	Corporate			
FIN-01	Rising costs of borrowing adding increased pressure on budgets	20	Corporate			
FIN-02	Increase in inflation risking cost overspends	20	Corporate			
FIN-06	Management of commercial Investments	18	Strategic	Migrated and integrated	Proposed Risk - Commercial investments	Commercial properties – management

Title	SSDC Legacy Risk Title	SSDC Risk Score	SSDC Level	Status	Related Somerset Council Risk (Proposed)	Risk Narrative
DOS-03	Ineffective or inadequate delivery to customers through SSDC partnerships	14	Strategic	Migrated and integrated	Proposed Risk - Community resilience	Cost of living, community safety
HAS-01	Failures in Statutory compliance and practice - Health & Safety	23	Strategic	Migrated and integrated	Proposed Risk - Health and safety	
HAS-02	Poor implementation or failure of new Health and Safety framework (systems and infrastructure)	23	Corporate			
PAP-01	LGR programme creates tensions shifting priorities / tensions between BAU & LGR work	20	Strategic	Migrated and integrated	Proposed Risk - Staff Resilience	Recruitment, retention, wellbeing, adapting to changing culture, cost of living impacts, officer specialisms
PEOPLE-01	Risk of a potential lack of organisational capacity to deliver key objectives.	15	Strategic			
PEOPLE-02	Risk of failing to retain staff	20	Corporate			
PEOPLE-06	Risk of deterioration in quality of work being delivered by staff	15	Corporate			
PEOPLE-04	Staff morale & wellbeing affected by organisational pressures and unitary transition	15	Corporate			
PEOPLE-05	SSDC staff have a lack of change readiness/resilience to the LGR transition period	14	Corporate			
GAL-03	Risk of officer or member inducement, bribery, or corruption	13	Corporate	TBC	Still to be determined where risk sits	<i>Note: A separate risk register for the dynamics programme is in play, where risks related to system fraud are recorded.</i>
FIN-04	Financial system risks	12	Corporate	TBC		
GAL-04	Failure to comply with corporate procedures	9	Corporate	TBC		
PAP-03	Lack of organisational knowledge base on projects	8	Corporate	TBC		
GAL-02	Failure in Statutory compliance and practice – Equalities	13	Strategic	TBC	Deemed an operational risk to be recorded as service level	
PAP-04	Poor or partial planning and execution of strategic priority projects	18	Corporate	TBC		

Title	SSDC Legacy Risk Title	SSDC Risk Score	SSDC Level	Status	Related Somerset Council Risk (Proposed)	
REP-01	Risk that SSDC members lose engagement and focus on strategic priorities post election during unitary transition	13	Strategic	Close		
FIN-05	Further local or national pandemic restrictions impacting daily council business	19	Corporate	Close		
PAP-05	Loss of stakeholder support to projects	14	Corporate	Close		
REP-03	Risk of reputational damage if regeneration projects are not delivered or proposed changes are not well presented.	13	Corporate	Close		
REP-02	Risk of reputational harm to SSDC due to all ongoing issues	9	Corporate	Close		
Page 136					ORG0056 - Supply Chain – disruption	
					ORG0060 - Adult Social Care – statutory duties	
					ORG0061 - Climate Change	SC unable to take strategic urgent action to mitigate and adapt to the current and future impacts of climate change
					Proposed Risk - Housing	Resources, homelessness service, Building Safety Act, land supply,
					Proposed Risk - Water Born risks	Accident or death from use of BoS Jetty, beaches, Port and harbours
					ORG0009 - Safeguarding children	

12. The work to define the approach and the proposed initial risk registers for the new council has been undertaken by a group of officers from both County Council and District Councils who have responsibilities for risks within their own organisations and is a collaborative piece of work that reflects all Council's work.
13. There are several dependencies and challenges remaining in the completion of the overall suite of documents for the emerging framework, and the development of new risk registers, which will be addressed after vesting day and when further details of the structure and operating model of the new council is known. Resolution of these dependencies will allow further development of the approach.
 - Council's aims and objectives to enable identification and alignment of strategic risks
 - Somerset Council operating model
 - Roles and responsibilities across the new organisation, including structure
 - Resourcing of Risk Management
 - Governance of risk – The Somerset Councils constitution

Financial Implications

14. There are no financial implications as a result of noting this report.

Council Plan Implications

15. There are no Council Plan implications as a result of noting this report.

Carbon Emissions and Climate Change Implications

16. There are no carbon emissions and climate change implications as a result of noting this report.

Background Papers

- Presentation showing status of the Strategic and Corporate risks register on 12th January 2023.
-

Civil Contingencies Update

Strategic Director: Nicola Hix, Support, Strategy and Environmental Services
Assistant Director: James Divall, Support, Strategy and Environmental Services
Lead Officer: Jess Power, Lead Specialist Strategic Planning
Contact Details: jessica.power@southsomerset.gov.uk or 01935 462300

Purpose of the Report

1. To provide Audit Committee with an annual update on strategic civil contingencies work that has occurred from 1st April 2022 onwards.

Public Interest

2. The Council works with local communities and emergency responders to respond to, and recover from, emergencies as required by the Civil Contingencies Act 2004.

Recommendations

3. That Audit Committee notes the contents of the report.

Background

4. The Civil Contingencies Act and supporting regulations and guidance, establish a clear set of roles and responsibilities for those involved in emergency preparation and response at the local level.
5. The Council has maintained its approach with Civil Contingency capability and has a pool of trained officers from within the staff team to plan, prepare and respond to emergencies and business continuity matters. Out of hours calls are, largely, initially managed through the Deane Helpline call centre, who then redirect calls for emergency civil contingencies and/ or unsafe structures that present a risk to the safety and welfare of members of the public, through to the Strategic Duty Officer (SDO) who is on duty at that time.
6. The Council continues to have a robust arrangement in place for a Strategic Duty Officer who is on call 24/7 on a weekly rotation. The Strategic Duty Officer is supported by an Operational Duty Officer (ODO) (from within the Leadership & Management Team) who is also available 24/7. This gives the Council the ability to quickly establish high level command and control whilst at the same time having an officer available to deploy to the scene of an incident to liaise with the emergency services on the scene, other responders, and the local community.

Civil Contingency Update

7. The Council continues to be a member of the Somerset Local Authority Civil Contingency Partnership (SLACCP). A suite of county-wide plans and guidance is updated by the Civil Contingency Unit (CCU) including the partnership work plan and the Joint Corporate Emergency Response & Recovery Plan (JCERRP).
8. The Partnership's staffed unit hosted training activities to further support our duty officers and other staff who might also be called in to support major incidents. This included:
 - A joint rest centre exercise for SSDC and Mendip was held in October 2022. This event involved staff from SSDC, Mendip, the CCU and additional volunteers including the Rotary Club, Wessex 4x4 and others. The exercise was held in the Caryford Hall in Castle Cary. There was an opportunity for SSDC rest centre staff to test run the rest centre and familiarise themselves with action cards and kit bags, shadowed by Mendip staff and vice versa.
 - A Strategic and Operational Duty Officer training session was held in December. Four SSDC officers attended these events split over two days.
9. The on-call Duty Officers dealt with a number of minor calls during the period. A major flooding incident was declared in January 2022 on the Somerset Levels and Moors that affected a small part of South Somerset and appropriate action was taken. The Lead Local Flooding Authority (LLFA) reported the triggers for a Section 19 flooding investigation had not been met for this particular incident. A Recovery Co-ordination Group has convened with representation from the Local Authorities, Environment Agency and other stakeholders to ensure there is a joined-up approach to the recovery process.
10. Strategic Duty Officers attended meetings with partner agencies through the Avon and Somerset Local Resilience Forum (ASLRF) in cases where liaison was required.
11. Representatives of the Avon and Somerset Local Resilience Forum continued to meet as either a Strategic Management Group or a Tactical Awareness Group to respond to the challenges and requirements of emergency planning and share awareness of issues arising.

Operation London Bridge

12. Operation London Bridge (death of a senior royal figure) was activated in September 2022, due to the sad passing of Her Majesty Queen Elizabeth II.
13. The Operation London Bridge team followed the Somerset protocol and associated local plans. The team worked with the Somerset Lieutenancy, Civil Contingencies Unit at Somerset County Council, the Police, and other Local Authorities to achieve a consistent approach across Somerset.

14. In accordance with the South Somerset Operation London Bridge protocol, a local Proclamation was held at Yeovil Country Park working closely with Yeovil Town Council. This event was well attended by local Somerset leaders, politicians, religious leaders, businesses, Royal Naval Air Service Yeovilton, local organisations including the Scouts and members of the public.
15. A post-activation workshop took place across the ASLRF group and a rewrite of the Operation London Bridge protocol to reflect the new Monarch and lessons learnt from September has been completed.

Duty Officer Resource Hub

16. The Council has continued to refine the online Civil Contingencies resource hub developed late in 2021 to order to support the duty officers with the planning, response and recovery to incidents arising. New additions include onboarding check-lists and resource guidance for new duty officers. New weather and flooding alert automations were also set up to notify duty officers in real time.

Audit

17. South West Audit Partnership (SWAP) undertook an audit of the Civil Contingencies process and preparedness in the Autumn of 2022 with a good assurance result provided early in 2023.

Somerset Council

18. Arrangements have been made for the emergency planning and business continuity process from Vesting Day for the new Somerset Council. The LGR EP and BC workstream leads have presented options for the new council to the Programme Board. The duty rota for SSDC will cease in its current form as of 1st April 2023. The Directors and staff from the Civil Contingencies Unit will staff the new rota until other members of the management team are onboarded.

Financial Implications

19. There are no financial implications as a result of this report.

Council Plan Implications

20. Aligned to our Council Plan values of empowering a confident, flexible workforce.

Carbon Emissions and Climate Change Implications

21. None.

Equality and Diversity Implications

22. As this report is for information and no decisions are being asked from Members an equality impact assessment is not required.

Background Papers

23. None.
-

Health and Safety Update

Strategic Director:	Nicola Hix, Support Services and Strategy
Assistant Director:	James Divall, Support Services and Strategy
Service Manager:	Jess Power, Lead Specialist Strategic Planning
Contact Details:	jessica.power@southsomerset.gov.uk or 01935 462300

Purpose of the Report

1. To update Audit Committee on the strategic Health and Safety arrangements and provide monitoring data for the period of January to December 2022.

Public Interest

2. This report provides an update to the Audit Committee on Health and Safety at South Somerset District Council, focusing on monitoring of incidents/accidents and progress to date.

Recommendations

3. That the Committee note the current update on health and safety as detailed in this report.

Background

4. South Somerset District Council is committed to ensuring the health, safety and wellbeing of all its employees, Members and other persons who may be affected by the Council's activities.
5. The Audit Committee considers the health and safety performance of the Council annually. They delegate responsibility to the Health and Safety Steering Group for developing policies and systems, and for the regular management of health and safety matters. The Steering Group is made up of lead specialists/managers representing all service areas of the Council and reports to the Senior Leadership Team on a quarterly basis.
6. The Health and Safety Working Group is the operational group on health and safety for the Council and is made up of a cross section of individuals from across all areas. It reports to the Health and Safety Steering Group. Both the Steering and Working groups meet regularly and oversee that health and safety is managed effectively at strategic and operational levels.

Policy and Reporting Developments

7. The Council's Health and Safety policy provides the framework for health and safety management at the Council.
8. The Health and Safety Steering Group representatives were tasked with overseeing the next phase of policy development. This included updating their service specific policies to align with the adopted corporate Health and Safety policy.
9. The Health and Safety Working Group has a detailed work programme with actions assigned to specific officers. The progress is regularly shared with the Steering Group and Senior Leadership Team.
10. The Health and Safety Steering Group recognised that several actions needed to be completed in advance of the move to the new Unitary in April 2023. A Health and Safety action plan was developed and is largely complete.
11. In accordance with the corporate Health and Safety policy the Lead Specialist Strategic Planning organised the annual Health and Safety audit. This is currently being undertaken by SWAP. (Note at the time of this draft report the results have not been provided).
12. The online reporting tool that was introduced in January 2022 has been further refined to enable Managers to monitor the levels of incidents and accidents in their service areas. The results from this high-level dashboard are regularly reviewed by the Steering and Working Groups to identify trends and help implement solutions and prevent incidents reoccurring.
13. In addition to the online reporting tool a 'tracker' has been further refined to help the Health and Safety team to monitor the actions identified as part of the incident/accident form. This ensures that follow up actions are completed by the appropriate Service Manager or Team Leader.

Training and Awareness

14. Members and staff were invited to complete the health and safety training on the Learning Management System.
15. Directors and Managers were asked to complete the Institute of Occupational Safety and Health (IOSH) online courses. SLT undertook the IOSH Safety for Executives and Directors, and the Leadership Management Team undertook the Managing Safety course.
16. An in-person Corporate Manslaughter training event took place in December 2022. This was well attended by SLT and LMT.

17. In addition to the above courses, Managers ensure their staff have appropriate health and safety training specific to their roles.
18. A Communications Specialist joined the H&S Steering Group in 2022 and developed a communications plan for health and safety. Communications have gone out regularly to staff via the Staff Portal, the Teams channels, One Team Weekly editorials and staff awareness sessions.
19. Over the last six months the H&S Team has carried out site visits to talk to teams about their health and safety reporting and provided refresher training on the use of the online reporting tool.
20. In addition to site visits the H&S Team has continued to support teams with their personal safety devices and arranged several workshops to troubleshoot any issues.
21. Both sessions have been positively received by the service teams.
22. Additional temporary resources in the team enabled a focus on supporting the Environmental Services team based in the Lufton depot. This has helped to improve processes including the implementation of regular toolbox talks, assisting in the review of risk assessments, safe systems of work and reviewing the Control of Substances Hazardous to Health (COSHH) arrangements on the site. Whilst we have the resources, we are continuing to roll out this good practice across the Council.
23. In addition to this work the Health and Safety team has supported the roll out of changes to the first aid arrangements in Brympton Way.
24. A fire evacuation process called Tag-Evac has been rolled out in Brympton Way, Lufton and Petters House. All staff have been asked to complete the associated training.
25. The external Health and Safety Competent Person has been continuing to support the H&S team with any specific queries arising. This arrangement will cease as part of the new Unitary Council.

Local Government Reorganisation (LGR)

26. The Lead Specialist – Strategic Planning represents SSDC on the Health and Safety LGR Sub Workstream. The group comprises of representatives from Somerset County Council, Mendip, Somerset West and Taunton and Sedgemoor District Council to ensure a Health and Safety function is prepared for Vesting Day.

27. The LGR Sub Workstream have driven work across the districts to join the County health and safety system ready for vesting day. Each district has requested all risk assessments that have not been reviewed in the past 12 months are reviewed and then transferred to the H&S system. Safe Systems of Work are also being reviewed and being entered in the system. COSHH assessments will follow.
28. The system will be rolled out to all staff across the districts to enable the review of risk assessments, along with the reporting of incidents and accidents. This work is ongoing as improvements are made to the system.

Health & Safety Monitoring

29. Appendix One includes monitoring information, set out in tables.
30. In summary, since January 2022 the Council had a total of 89 incidents and accidents reported. While this shows an increase in the number of reports from 2021 this is still lower than pre-covid figures in 2019. This trend is seen across most of the historic data in Table 1. It is worth noting that the number of reports for members of the public increased by more than two-fold between 2021 and 2022, however this is likely attributed in part from increased public activities following the lifting of covid restrictions, along with increased awareness by staff, and ease of access, of the new reporting procedures.
31. While the amount of violence to staff incidents is showing the same as 2021 and lower than some previous years, the anecdotal evidence is that the number of actual incidents still may be higher than is being reported. Work continues with staff to help raise awareness of the importance of reporting incidents, including abuse via email communication and social media, in helping to identify issues and take appropriate action, including wellbeing support.
32. The data in Tables 2 to 7 has not previously been reported in the same way due to the new form data capture so there is no direct historic comparison. However, even with one year of data it allows for greater understanding of what is happening than previous reporting formats, where in terms of locations and within which service area.
33. The new form has enabled more categories for the type of incidents to be captured and when through the year this happens. As shown in Table 3, which shows the type of staff incident reports, charted by month, it highlights cuts/abrasions are one of the more common types of injuries, along with bruising. However, it also highlights where injuries may be more prevalent at certain times of year, and where targeted action in the future could help to reduce incident rates. For example, there were 4 sting related injuries during the summer months (all relating to wasp / bees). The appropriate service(s) were able to evidence this trend and adjust guidance and training to heighten awareness of increased risks at certain times of the year.

34. Table 4 provides detail of the business units within Directorates for each of the employee incidents/accidents. This helps to identify which business areas may require additional focused supported. Environmental Services and Leisure & Recreation remain the two business areas with the highest rate of staff incidents, largely due to the nature of their work. However, Customer Connect also tracks third highest, but has very different causes for reports, with the greatest number of incidents of abusive / threatening behaviour than any other business area. See Table 5 showing the types of Abusive / Threatening Behaviour incident reports. Table 6 provides a breakdown of the types of Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) made to the Health & Safety Executive (HSE) and for whom those reports were made, were they for staff or members of public.
35. As previously highlighted, there has been an increase in the reporting of near misses. Table 7 shows the breakdown of these incident types, with operating tools equipment / machinery as the highest hazard reported.

Financial Implications

36. None.

Council Plan Implications

37. Aligned to our Council Plan values of empowering a confident, flexible workforce.

Carbon Emissions and Climate Change Implications

38. None.

Equality and Diversity Implications

39. As this report is for information and no decisions are being asked from Members an equality impact assessment is not required.

Background Papers

40. None.

Appendix One

Table 1 – Summary of Reported Incidents 2015 - 2022

Historic Data -Tables							
Year	Near Misses	Public Accidents	RIDDOR (Accidents)	RIDDOR (Diseases)	Staff Accidents	Violence to staff	Total
2015	2	8	0	0	38	16	64
2016	1	10	1	0	34	7	53
2017	5	11	0	0	39	16	71
2018	5	12	2	0	36	8	63
2019	2	22	4	0	44	22	94
2020	5	5	5	0	26	23	64
2021	11	8	6	0	40	14	79
2022	13	20	5	0	37	14	89

Table 2 - Types of Incidents Reported 2022

2022 Data

Type Of Incident	January	February	March	April	May	June	July	August	September	October	November	December	Total
Abusive / Threatening Behaviour	2	3	1	2	0	1	1	3	0	0	0	5	18
Damage to property	0	0	0	0	0	1	1	1	0	2	2	1	8
Injury	5	8	3	4	2	4	5	5	3	4	4	4	51
Non-Injury First Aid Incident	0	1	0	0	0	0	2	0	1	2	1	1	8
Non-Injury Self-Harming Risk	0	0	0	0	3	0	0	1	0	0	0	0	4
Total	7	12	4	6	5	6	9	10	4	8	7	11	89

Table 3 – Type of Incidents For Employees 2022

Type Of Incident	January	February	March	April	May	June	July	August	September	October	November	December	Total
<input checked="" type="checkbox"/> Abusive / Threatening Behaviour	2	2	1	2	0	1	0	3	0	0	0	3	14
<input checked="" type="checkbox"/> Damage to property	0	0	0	0	0	1	0	0	0	0	1	0	2
<input checked="" type="checkbox"/> Injury	3	6	2	4	2	2	4	5	2	2	2	3	37
Back Injury	1	0	0	2	0	1	0	0	0	0	0	0	4
Bite Wound	0	0	0	0	0	0	1	0	0	0	0	0	1
Bruise	0	0	1	0	0	1	0	1	0	0	2	0	5
Burn	0	0	1	0	0	0	0	0	0	0	0	0	1
Cut or abrasion	1	3	0	0	0	0	2	1	0	0	0	3	10
Eye Injury	1	1	0	1	1	0	0	0	0	0	0	0	4
Heat Exhaustion	0	0	0	0	0	0	0	1	0	0	0	0	1
Impact	0	1	0	1	0	0	0	0	0	2	0	0	4
Puncture Wound	0	0	0	0	0	0	1	0	0	0	0	0	1
Sting	0	0	0	0	0	0	0	2	2	0	0	0	4
Twist or sprain	0	1	0	0	1	0	0	0	0	0	0	0	2
<input checked="" type="checkbox"/> Non-Injury First Aid Incident	0	1	0	0	0	0	2	0	0	1	0	0	4
Fainting	0	1	0	0	0	0	1	0	0	0	0	0	2
Hazardous Substance	0	0	0	0	0	0	1	0	0	1	0	0	2
Total	5	9	3	6	2	4	6	8	2	3	3	6	57

Table 4 – Employee Incidents by Directorate 2022

Directorate	January	February	March	April	May	June	July	August	September	October	November	December	Total
Commercial Services & Income Generation	0	0	0	1	1	0	0	0	0	0	0	0	2
Commercial Property, Land & Development	0	0	0	0	0	0	0	0	0	0	0	0	0
Income Opportunity Development	0	0	0	1	1	0	0	0	0	0	0	0	2
Place & Recovery	0	1	0	0	0	0	0	0	0	1	0	2	4
Arts & Entertainment	0	1	0	0	0	0	0	0	0	1	0	2	4
Service Delivery	2	5	1	3	0	2	3	5	1	1	1	3	27
Building Control	0	0	0	0	0	0	0	1	0	0	0	0	1
Customer Connect	2	2	1	1	0	0	0	0	0	0	0	2	8
Environment	0	0	0	0	0	0	1	1	0	0	0	0	2
Housing	0	1	0	0	0	0	0	0	0	0	0	0	1
Leisure & Recreation	0	2	0	0	0	2	1	1	1	1	1	0	9
Locality	0	0	0	2	0	0	1	1	0	0	0	1	5
Revenues	0	0	0	0	0	0	0	1	0	0	0	0	1
Strategy & Support Services	3	3	2	2	1	2	3	3	1	1	2	1	24
Breavement Services	0	0	0	0	0	0	2	0	0	0	1	0	3
Environment Services	2	3	1	2	1	2	1	3	1	1	1	1	19
Legal	1	0	0	0	0	0	0	0	0	0	0	0	1
Strategic Planning	0	0	1	0	0	0	0	0	0	0	0	0	1
Total	5	9	3	6	2	4	6	8	2	3	3	6	57

Table 5 – Types of Abusive / Threatening Behaviour 2022

Who Was Harmed?	January	February	March	April	May	June	July	August	September	October	November	December	Total
<input type="checkbox"/> Contractor	0	0	0	0	0	0	1	0	0	0	0	2	3
<input type="checkbox"/> Abusive / Threatening Behaviour	0	0	0	0	0	0	1	0	0	0	0	2	3
Verbal abuse face to face	0	0	0	0	0	0	1	0	0	0	0	2	3
<input type="checkbox"/> Employee	2	2	1	2	0	1	0	3	0	0	0	3	14
<input type="checkbox"/> Abusive / Threatening Behaviour	2	2	1	2	0	1	0	3	0	0	0	3	14
Verbal abuse face to face	2	0	0	2	0	1	0	1	0	0	0	2	8
Verbal abuse in writing	0	1	0	0	0	0	0	2	0	0	0	0	3
Verbal abuse telephone	0	1	1	0	0	0	0	0	0	0	0	1	3
<input type="checkbox"/> Member of Public	0	1	0	0	0	0	0	0	0	0	0	0	1
<input type="checkbox"/> Abusive / Threatening Behaviour	0	1	0	0	0	0	0	0	0	0	0	0	1
Verbal abuse face to face	0	1	0	0	0	0	0	0	0	0	0	0	1
Total	2	3	1	2	0	1	1	3	0	0	0	5	18

Table 6 - RIDDOR Reports 2022

Type of RIDDOR report	January	February	March	April	May	June	July	August	September	October	November	December	Total
<input type="checkbox"/> Non fatal accidents to non-workers (eg members of the public)	0	0	0	0	0	1	0	0	0	0	1	1	3
Member of Public	0	0	0	0	0	1	0	0	0	0	1	1	3
<input type="checkbox"/> Over-seven-day incapacitation of a worker	0	0	0	0	0	1	0	1	0	0	0	0	2
Employee	0	0	0	0	0	1	0	1	0	0	0	0	2
Total	0	0	0	0	0	2	0	1	0	0	1	1	5

Table 7 – Types of Near Misses 2022

Please state the type of near miss?	May	June	July	August	September	October	November	Total
Fire Hazard		1		2				3
Hazardous Substance or Materials			1					1
Narrow Escapes						2	1	3
Operating Equipment Tools or Machinery	1	1				1	1	4
Risky Behaviour						1		1
Slips and Trips							1	1
Total	1	2	1	2		3	3	13

Report on Whistleblowing for the Municipal Year 2022-23

Lead Officer: Jill Byron, District Solicitor & Monitoring Officer
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Purpose of the Report

1. To provide the Audit Committee with a summary of Whistleblowing disclosures recorded during 2022-23.

Public Interest

2. This report covers the operation of the Council's Whistleblowing Policy during the municipal year 2022-23 (to 12 March). The purpose of the Policy is to ensure that employees of the Council are aware of their responsibility to disclose information concerning any 'malpractice' within the Council appropriately and at the earliest opportunity and to protect individuals who do so in accordance with the Policy from unfair treatment. It is important for local authorities to have a robust policies in place and to monitor their operation to ensure the efficient and proper delivery of services and to protect the public purse.

Recommendation

That the Audit Committee note the report

Reason for Recommendation: To ensure effective monitoring of whistleblowing incidents is undertaken.

Background

3. The Council first adopted a Whistleblowing Policy in 2015. The Policy was updated in December 2021. This Policy provides an opportunity for all workers to highlight concerns regarding the way SSDC works, ensuring resources are used sustainably and in a way that best benefits residents.
4. The Employment Rights Act 1996 (ERA) offers protection to employees who make "protected disclosures" (commonly referred to as "whistleblowing") and a key purpose of any whistleblowing policy is to provide a protective framework within which employees are enabled and encouraged to report serious concerns about wrongdoing at work to enable the Council to address those concerns. The South Somerset District Council (SSDC) Whistleblowing Policy applies to all workers, including workers who undertake activities on SSDC's behalf, such as employees;

locum, agency and casual staff; volunteers and work experience students. In addition, SSDC applies the principles of the Policy to elected Members, contractors, partner organisations and members of the public.

5. In general terms, protected disclosures under the ERA cover:
- criminal offences
 - failure to comply with legal obligations
 - miscarriages of justice
 - health and safety risks likely to cause danger
 - damage to the environment (e.g. land, water, air, waste, energy, natural habitat) and
 - the deliberate concealment of a matter relating to any of the above.

To qualify for protection under the ERA, a worker must disclose the information to their employer and reasonably believe it to be true. SSDC's reporting and investigatory procedure is set out in sections 8 – 10 of the Policy.

6. Although the requirements set out in the Prescribed Persons (Reports on Disclosures of Information) Regulations 2017 are not directly applicable, it seems sensible to apply the reporting content provisions set out in regulation 5. Accordingly, this report sets out the following information for the year 2022-23, without including any information that would identify a worker who has made a disclosure of information or any person in respect of whom a disclosure of information has been made:
- (a) the number of workers' disclosures received that are reasonably believed to be qualifying disclosures within the meaning of section 43B of the ERA;
 - (b) the number of those disclosures in relation to which further action was taken;
 - (c) a summary of the action taken in respect of those workers' disclosures.

Disclosures in 2022-23

7. No new disclosures were received in 2022-23.
8. SSDC recognises the importance of being able to learn from disclosure investigations not only to deal with specific situations, but also to learn and apply any lessons more widely to reduce the risk of similar issues arising. As a result of the disclosures made in 2021-22, action has been taken to revise and strengthen processes and procedures, improve communication with staff and ensure they are appropriately trained. A revised Employee Code of Conduct was introduced during 2022-23 and the associated mandatory training has been completed by the majority of staff.

9. Currently, there are no publicly available compiled statistics for local authority whistleblowing incidents so it is not possible to ascertain whether the level of reporting for SSDC is comparable with similar authorities.

Financial Implications

There are no financial implications arising from the recommendation.

Council Plan Implications

There are no Council Plan implications arising from the recommendation.

Carbon Emissions and Climate Change Implications

There are no carbon emissions and climate change implications arising from the recommendation.

Equality and Diversity Implications

<i>An Equality Impact Relevance Check Form has been completed in respect of the Proposal?</i>	Yes
<i>The Impact Relevance Check indicated that a full EIA was required?</i>	No

Background Papers

- South Somerset District Council Whistleblowing Policy
 - Department for Business Innovation & Skills - Whistleblowing – Guidance for Employers and Code of Practice (2015)
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/415175/bis-15-200-whistleblowing-guidance-for-employers-and-code-of-practice.pdf
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