

Public Agenda Pack



Notice of Meeting of

AUDIT COMMITTEE

Thursday, 29 June 2023 at 10.00 am

Luttrell Room - County Hall

To: The members of the Audit Committee

Chair: Councillor Mike Hewitson

Vice-chair: Councillor Andy Sully

Councillor Steve Ashton

Councillor Lee Baker

Councillor Simon Carswell

Councillor Mike Caswell

Councillor Norman Cavill

Councillor Mandy Chilcott

Councillor Simon Coles

Councillor Shane Collins

Councillor Habib Farbahi

Councillor Tim Kerley

Jennifer Whitten

For further information about the meeting, including how to join the meeting virtually, please contact democraticserviceteam@somerset.gov.uk.

All members of the public are welcome to attend our meetings and ask questions or make a statement **by giving advance notice** in writing or by e-mail to the Monitoring Officer at email: democraticserviceteam@somerset.gov.uk by **5pm on Friday, 23 June 2023**.

This meeting will be open to the public and press, subject to the passing of any resolution under the Local Government Act 1972, Schedule 12A: Access to Information.

The meeting will be webcast and an audio recording made.

Issued by David Clark on Wednesday, 21 June 2023

AGENDA

Audit Committee - 10.00 am Thursday, 29 June 2023

Public Guidance Notes contained in Agenda Annexe 7 - 8

Click here to join the online meeting 9 - 10

For those of you wishing to join online click here to join the meeting

1 Apologies for Absence

To receive any apologies for absence.

2 Declarations of Interest (Pages 11 - 12)

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

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

3 Minutes from the Previous Meeting (Pages 13 - 20)

To approve the minutes from the previous meeting.

4 Public Question Time

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

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

We are now live webcasting most of our committee meetings and you are welcome to view and listen to the discussion. The link to each webcast will be available on the meeting webpage, please see details under 'click here to join online meeting'.

5 Report of Somerset West and Taunton Audit Plan 2022/23 (Pages 21 - 46)

Progress update from SWAP for 2022/23. It reports against the Internal Audit Plan agreed by the Somerset County Council (SCC) Audit Committee in March 2022.

6 Internal Annual Audit Opinion Report 2022-2023 (Pages 47 - 66)

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

7 External Audit Plan Report for Somerset County Council 2022-2023 (Pages 67 - 116)

An overview of the planned scope and timing of the statutory audit of Somerset County Council for those charged with governance.

8 External Audit Plan for Somerset Pension Fund - June 2022-2023 (Pages 117 - 140)

The purpose of this report is to provide an overview of the planned scope and timing of the statutory audit of Somerset Pension Fund for those charged with governance.

9 Strategic Risk Review Report (Pages 141 - 170)

The Account and Audit Regulations 2015 require the Council to have in place effective arrangements for the management of risk. These arrangements are reviewed annually and reported as part of the Annual Governance Statement (AGS). There is a direct link to the Council's Plan and the Medium-Term Financial Plan.

10 Draft Annual Governance Statement (Pages 171 - 238)

The Audit Committee has the responsibility for the approval of Statement of Accounts for the 5 predecessor councils including the Annual Governance Statements.

11 Update on the Expected Completed Statements of Accounts

Jason Vaughan is available to give a verbal update.

12 Audit Committee Workplan 2023-2024 (Pages 239 - 240)

A detailed document setting out the workplan items for the year ahead.

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Guidance notes for the meeting

Council Public Meetings

The legislation that governs Council meetings requires that committee meetings are held face-to-face. The requirement is for members of the committee and key supporting officers (report authors and statutory officers) to attend in person, along with some provision for any public speakers. Provision will be made wherever possible for those who do not need to attend in person including the public and press who wish to view the meeting to be able to do so virtually.

Inspection of Papers

Any person wishing to inspect minutes, reports, or the background papers for any item on the agenda should contact Democratic Services at

democraticserviceteam@somerset.gov.uk or telephone 01823 357628.

They can also be accessed via the council's website on [Committee structure - Modern Council \(somerset.gov.uk\)](#)

Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at: [Code of Conduct](#)

Minutes of the Meeting

Details of the issues discussed, and recommendations made at the meeting will be set out in the minutes, which the Committee will be asked to approve as a correct record at its next meeting.

Public Question Time

If you wish to speak or ask a question about any matter on the Committee's agenda please contact Democratic Services by 5pm providing 3 clear working days before the meeting. (for example, for a meeting being held on a Wednesday, the deadline will be 5pm on the Thursday prior to the meeting) Email

democraticserviceteam@somerset.gov.uk or telephone 01823 357628.

Members of public wishing to speak or ask a question will need to attend in person or if unable can submit their question or statement in writing for an officer to read out, or alternatively can attend the meeting online.

A 20-minute time slot for Public Question Time is set aside near the beginning of the meeting, after the minutes of the previous meeting have been agreed. Each speaker will have 3 minutes to address the committee.

You must direct your questions and comments through the Chair. You may not take a direct part in the debate. The Chair will decide when public participation is to finish. If an item on the agenda is contentious, with many people wishing to attend the meeting, a representative should be nominated to present the views of a group.

Meeting Etiquette for participants

Only speak when invited to do so by the Chair.

Mute your microphone when you are not talking.

Switch off video if you are not speaking.

Speak clearly (if you are not using video then please state your name)

If you're referring to a specific page, mention the page number.

There is a facility in Microsoft Teams under the ellipsis button called turn on live captions which provides subtitles on the screen.

Exclusion of Press & Public

If when considering an item on the agenda, the Committee may consider it appropriate to pass a resolution under Section 100A (4) Schedule 12A of the Local Government Act 1972 that the press and public be excluded from the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information, as defined under the terms of the Act.

If there are members of the public and press listening to the open part of the meeting, then the Democratic Services Officer will, at the appropriate time, ask participants to leave the meeting when any exempt or confidential information is about to be discussed.

Recording of meetings

The Council supports the principles of openness and transparency. It allows filming, recording, and taking photographs at its meetings that are open to the public - providing this is done in a non-disruptive manner. Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings. No filming or recording may take place when the press and public are excluded for that part of the meeting.

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SOMERSET COUNCIL

**COUNCILLORS WHO ARE ALSO CITY, TOWN AND/OR
PARISH COUNCILLORS**

SOMERSET COUNCILLOR	CITY, TOWN AND/OR PARISH COUNCIL
Steve Ashton	Crewkerne Town Council / Hinton St George Parish Council
Suria Aujla	Bridgwater Town Council
Jason Baker	Chard Town Council
Lee Baker	Cheddon Fitzpaine Parish Council
Marcus Barr	Wellington Town Council
Mike Best	Crewkerne Town Council
Alan Bradford	North Petherton Town Council
Theo Butt Philip	Wells City Council
Simon Carswell	Street Parish Council
Norman Cavill	West Monkton Parish Council
Peter Clayton	Burnham Highbridge Town Council
Nick Cottle	Glastonbury Town Council / St Edmunds Parish Council
Adam Dance	South Petherton Parish Council
Tom Deakin	Taunton Town Council
Andy Dingwall	Westonzoyland Parish Council
Caroline Ellis	Taunton Town Council
Ben Ferguson	Axbridge Town Council
Bob Filmer	Brent Knoll Parish Council
Andrew Govier	Wellington Town Council
Pauline Ham	Axbridge Town Council
Philip Ham	Coleford Parish Council
Ross Henley	Wellington Town Council
Edric Hobbs	Shepton Mallet Town Council
John Hunt	Bishop's Hull Parish Council
Val Keitch	Ilminster Town Council
Andy Kendall	Yeovil Town Council
Jenny Kenton	Chard Town Council
Tim Kerley	Somerton Town Council
Marcus Kravis	Minehead Town Council
Tony Lock	Yeovil Town Council
Martin Lovell	Shepton Mallet Town Council
Mike Murphy	Burnham Highbridge Town Council
Graham Oakes	Yeovil Town Council / Yeovil Without Parish Council
Sue Osborne	Ilminster Town Council
Kathy Pearce	Bridgwater Town Council
Emily Pearlstone	Ilchester Parish Council

Evie Potts-Jones	Yeovil Town Council
Wes Read	Yeovil Town Council
Leigh Redman	Bridgwater Town Council
Mike Rigby	Bishop's Lydeard and Cothelstone Parish Council
Tony Robbins	Wells City Council
Dean Ruddle	Somerton Town Council
Peter Seib	Brympton Parish Council / Chilthorne Domer Parish Council
Heather Shearer	Street Parish Council
Gill Slocombe	Bridgwater Town Council
Brian Smedley	Bridgwater Town Council
Federica Smith-Roberts	Taunton Town Council
Jeny Snell	Yeovil Town Council / Brympton Parish Council
Andy Soughton	Yeovil Town Council
Richard Wilkins	Curry Rivel Parish Council
Dave Woan	Yeovil Town Council
Ros Wyke	Westbury-sub-Mendip Parish Council

The memberships of City, Parish or Town Councils will be taken as being declared by these Councillors to be other registerable interests in the business of the Somerset Council meeting and need not be declared verbally.

Monitoring Officer of Somerset Council



Minutes of a Meeting of the Audit Committee held in the Luttrell Room - County Hall, Taunton TA1 4DY, on Thursday, 27 April 2023 at 10.00 am

Present:

Cllr Dean Ruddle (Chair)
Cllr Andy Sully (Vice-Chair)

Cllr Steve Ashton
Cllr Simon Carswell
Cllr Mandy Chilcott
Cllr Habib Farbahi
Cllr Mike Lewis

Cllr Lee Baker
Cllr Norman Cavill
Cllr Simon Coles
Cllr Tim Kerley
Cllr Liz Leyshon

In attendance:

Other Members present remotely:

1 Apologies for Absence - Agenda Item 1

Apologies were received from Councillors Shane Collins, Mike Caswell.

2 Declarations of Interest - Agenda Item 2

There were no declarations of interest made by Members.

3 Minutes from the previous meetings held on 19th January 2023 and 2nd February 2023 - Agenda Item 3

The minutes of the Audit Committee meeting held on 19 January 2023 and 2 February 2023 were considered and approved.

4 Public Question Time - Agenda Item 4

There were none.

5 Report of Internal Audit Activity 2022/23 Progress Report - April 2023 - Agenda Item 5

SWAP presented the Report of internal audit activity 2022/23 which set out the Internal Audit Plan agreed by the Somerset County Council (SCC) Audit Committee in March 2022. The schedule provided at detailed progress made to date and any new work agreed.

In response to concerns about contract management the Section 151 Officer explained that Managers of the new Council had been trained in procurement, and procurement processes had been assessed independently as good. However, there was a plan to raise that standard even higher.

Principal Auditor SWAP went through the summary of work for the 2022-23 year and noted that the Portfolio Holder for resource would encompass fraud.

The quality assurance framework would be discussed in the next plan and SWAP will monitor those actions.

The quality assurance framework for adult services would also be reported at the next meeting.

In response to questions the Section 151 Officer said the Council recognised that staff turnover had been a risk to service delivery during the transition of the new Council into a Unitary Council.

RESOLVED:

That the Internal Audit Activity Report 2022/23 be noted.

6 Proposed 2023-24 Internal Audit Plan and Internal Audit Charter - Agenda Item 6

SWAP presented the Internal Audit Update Charter which provided an independent and objective opinion on the authority's risk management, governance, and control

environment by evaluating its effectiveness.

It was confirmed that the outcomes of each of the audits in SWAP's planned programme of work would have provided senior management and members with assurance that the current risks faced by the Authority in these areas were adequately controlled and managed.

It was noted that internal audit was only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines' assurance model. Key findings from SWAPs internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement.

During the discussion that followed Members were concerned that with regard to contract management the report was so high levelled that some of the detail were difficult to follow.

The Section 151 Officer agreed where the Audit Plan gave headline titles only, more detail should be added to give some clarity to members and the public so they would know what each audit would include.

Members hoped that the new Council would take advantage of having new Officers which could look afresh at issues. Therefore, it would be helpful if the plan could be flexible.

In response to queries, the Portfolio Holder for Resource explained that Octagon and Brewhouse Theatre had both received support. However, because of their ownership the funding had come from different budgets. Going forward work needed to be done to ensure both theatres continued to be supported. Any review of the funding would need to be made clear.

Members requested a regular report on the Audit Plan so they could keep control on risks. However, it was noted that the Scrutiny Committee would receive reports about how the Council might control its risks.

Members said they would support the plan. However, it needed to be flexible and include more detail in future.

RESOLVED:

That the Proposed 2023/24 Internal Audit Plan and Internal Audit Charter be approved.

7 Audit Progress Report and Sector Update - Agenda Item 7

The Senior Manager of Grant Thornton presented her report which provided the Audit Committee with an account of the progress they had delivered over the past year.

The report included a summary of emerging national issues and developments which were relevant to the Local Authority.

In response to queries about giving value for money the External Auditor explained that each year the auditors look at areas such as financial sustainability, governance and improving efficiencies.

It was noted that not all Councils were all run in the same way. Therefore, it was important for the auditors to make sure the taxpayers money was giving good value.

The external auditor confirmed that because of the district council audits which still needed signing off and the transition of the Council to a Unitary Council they expected there to be some slippage of reporting the Council's accounts from September 2023 to possibly January 2024.

Members noted the delays. However, they wished to know what was outstanding in order for the audit work to be completed.

The Section 151 Officer explained that on occasions delays were caused by national issues.

The Service Director for Finance confirmed there were current issues with capacity because of new finance systems. In response to this an external team had been brought in to help the Council close the outstanding accounts.

The Section 151 Officer explained how the Council valued its assets. A new asset database had been created for the new Council. Officers now worked consistently across the county.

Members requested a report on the valuation of the Council assets.

With regard to the risk from lack of finances and the communication which Councils received from Government about reserves, the Section 151 Officer said discussions

were being held nationally to understand the Government's position.

RESOLVED:

That the Audit Progress Report and Sector update be noted.

8 Informing the audit risk assessment - Agenda Item 8

The Senior Manager of Grant Thornton presented her report which set out the effective two-way communication between Somerset County Council's external auditors and Somerset County Council's Audit Committee, as 'those charged with governance'. The report covered some important areas of the auditor risk assessment where Grant Thornton were required to make inquiries of the Audit Committee under auditing standards.

She further went on to say that under International Standards on Auditing (UK), (ISA(UK)) auditors had specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasised the importance of two-way communication between the auditor and the Audit Committee and she also mentioned that specified matters should be communicated.

This two-way communication assisted both the auditor and the Audit Committee in understanding matters relating to the audit and developed a constructive working relationship. It also enabled the auditor to obtain information relevant to the audit from the Audit Committee and supported the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

The Senior Manager further pointed out that as part of their risk assessment procedure, they were required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, *and*
- Accounting Estimates.

During the discussion that followed, some Members felt the response to Question 1

could be more detailed. Also, Questions 2 and 6 had not been fully answered. Members questioned the value of the report.

It was noted that the report solely considered the Somerset County Council in 2022/23.

Members noted that improvements had been made to ensure that double payments were no longer made.

The External Auditor explained that they would look at fraud when there was cause for concern.

RESOLVED:

That the Informing the Audit Risk Assessment for Somerset County Council 2022/23 report be noted

9 Independent Member appointment - Agenda Item 9

The Section 151 Officer explained that Members had been asked to respond to a questionnaire which went into detail about their knowledge of managing a Council. Over half of the Members had completed the questionnaire and their knowledge was good.

Based on this, he said that future training for Members would be delivered in due course.

Also an advert had been prepared for the Council to co-opt up to two Independent Members of the Audit Committee. This would bring professional and specialist knowledge of audit at meetings.

RESOLVED:

That an advert be made in order to co-opt up to two Independent Members of the Audit Committee.

10 Fraud Policies - Agenda Item 10

The Service Director had prepared the following Policies for the new Council:

a. Anti-Fraud and Corruption Policy and Strategy 2023

- b. Anti-Bribery Policy 2023
- c. Anti-Tax Evasion Policy 2023
- d. Anti Money Laundering Policy 2023

Members noted that the Policies had been pulled together from the best practice of the former Somerset County Council and the four district councils.

In response to queries it was confirmed that it was the responsibility of every member of staff to spot and report suspected fraud.

Members asked that the policies be made known to all members of staff and that training be carried out.

RESOLVED:

To delegate authority to the Officer to update the following Policies:

- Anti-Fraud and Corruption Policy and Strategy 2023
- Anti-Bribery Policy 2023
- Anti-Tax Evasion Policy 2023
- Anti Money Laundering Policy 2023

11 Annual Report to Council - Agenda Item 11

This item had been withdrawn from the agenda.

12 Treasury Management Practices - Agenda Item 12

The Funds & Investment Manager presented the Treasury Management Practices (TMPs) Report. He explained that the TMPs were a detailed document setting out how day to day treasury activity was undertaken by the Council and was part of a suite of governance documents controlling the Council's Treasury Management activity. It was a requirement of the CIPFA code on Treasury Management for the Council to prepare and maintain TMPs. It was a 'living document' that should be updated as necessary and had been formally adopted by the Section 151 Officer and deputy Section 151 Officer.

During the discussion that followed the Officer explained the purpose of bringing the document to the Audit Committee. He said it may highlight issues for the Audit Committee which they would like to explore more fully.

Members noted they had received the full Treasury Management Report in January 2023 for consideration.

RESOLVED:

That the Treasury Management Practices be noted.

(The meeting ended at 11.45 am)

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CHAIR



Outturn Report of the 2022-23 Internal Audit Plan

Executive Member(s): Liz Leyshon – Lead Member for Resources and Performance

Lead Officer: Nicola Hix – Service Director Finance and Procurement

Author: Alastair Woodland – Assistant Director of SWAP Internal Audit Services

Contact Details: Alastair.woodland@SWAPaudit.co.uk

Summary / Background

1. The Internal Audit function plays a central role in corporate governance by providing assurance to the Audit Committee, looking over governance, risk, and internal controls and checking on the probity of the organisation.
2. The 2022-23 Annual Internal Audit Plan is to provide independent and objective assurance on SCC's Internal Control Environment. This work will support the Annual Governance Statement.

Recommendations

3. Members of the Audit Committee are asked to note the outturn position of the 2022-23 Internal Audit Plan (See Attached Appendix – SWAP Report) and note any significant governance, risk or control matters raised in this report since the previous update in April 2023.

Reasons for recommendations

4. Internal Audit Is required under the Public Sector Internal Auditing Standards (PSIAS) to report directly to the Audit Committee on matters relating to governance, risk and Internal control. This is to assist the Audit Committee in its oversight role of governance, risk and internal control within Somerset County Council.

Links to Council Plan and Medium-Term Financial Plan

- 5. Delivery of the corporate objectives requires strong governance and risk management and effective internal controls. The Internal Audit Plan seeks to provide independent and objective assurance on matters relating to governance, risk and control processes that ultimately ensures delivery of statutory services and corporate aims and objectives.

Financial and Risk Implications

- 6. Any large organisation needs to have well-established and systematic risk management framework in place to identify and mitigate the risks it may face. SCC has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetable for management to implement.

Likelihood		Impact		Risk Score	
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- 7. There are no specific financial issues relating to this report.

Legal Implications

- 8. There are no specific legal issues relating to this report.

HR Implications

- 9. There are no specific HR implications relating to this report.

Other Implications:

Equalities Implications

- 10. There are no direct Equality implications from this report.

Community Safety Implications

- 11. There are no direct Community Safety Implications.

Climate Change and Sustainability Implications

12. Whilst there are no direct Climate Change and Sustainability implications from our report, there is contained within our report an update on our assessment of the Governance Arrangements around the Climate Emergency.

Health and Safety Implications

13. There are no direct Health and Safety Implications from this report.

Health and Wellbeing Implications

14. There are no direct Health and Wellbeing Implications from this report.

Social Value

15. There are no direct Social Value implications from this report.

Scrutiny comments / recommendations:

16. N/A

Background Papers

17. SWAP Internal Audit Plan 2022-23 as reported SCC Audit Committee March 2022
18. SWAP Internal Audit Plan 2022-23 Progress Update Report September 2022
19. SWAP Internal Audit Plan 2022-23 Progress Update Report November 2022
20. SWAP Internal Audit Plan 2022-23 Progress Update Report January 2023
21. SWAP Internal Audit Plan 2022-23 Progress Update Report April 2023

Appendices

Appendix A – SWAP Internal Audit Outturn Report 2022-23

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Somerset Council

Report of Internal Audit Activity 2022/23

Outturn Report – June 2023

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Internal Audit Update – June 2023 – ‘At a Glance’

The Headlines

	<p>Limited Assurance or No Assurance opinion reviews to report</p> <p>Two Limited opinions:</p> <ul style="list-style-type: none"> • Climate Emergency: Governance Arrangements; • Schools Financial Value Standard: Ashlands CofE Primary School.
	<p>Progress against the 2022/23 Plan (including LGR)</p> <ul style="list-style-type: none"> • 55 planned reviews and support activities completed • 3 reviews at draft stage • 2 reviews in progress/on-going (Payroll and Adults – Eclipse Benefits Realisation) • 27 LEP grants certified
	<p>Follow-ups in the period</p> <p>One follow-up has been finalised since the last report.</p>
	<p>Changes to the 2022/23 Audit Plan</p> <p>There have been no changes to the 2022/23 audit plan since last update to the Audit Committee.</p>
	<p>Monitoring of agreed management actions</p> <p>We continue to monitor implementation of agreed management actions. There are 31 overdue actions relating to the previous Somerset County Council. These outstanding recommendations, combined with the outstanding recommendations from the Somerset District Councils, have been included in a new dashboard that will be reported alongside the 2023/24 Audit Plan.</p>
	<p>Range of innovations and enhancements made to our internal audit process throughout the year</p> <p>During 2023/24 we aim to roll out real-time self-service access to our Audit System for senior managers and Audit Committee members.</p>

	YTD
Substantial	0
Reasonable	5
Limited	8
No Assurance	0
Advisory and Grants	20
Follow Up	8
LGR	14
Total	55

	YTD
Priority 1	9
Priority 2	42
Priority 3	59
Total	110

*Final Reports Only

Summary

As part of our rolling plan reports, we will detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

Alastair Woodland

Assistant Director

alastair.woodland@swapaudit.co.uk

David Hill

Chief Executive

david.hill@swapaudit.co.uk

Summary

This is the June 2023 outturn update for the 2022/23 Internal Audit Plan. It reports against the Internal Audit Plan agreed by the Somerset County Council (SCC) Audit Committee in March 2022. **Appendix D** details the progress made to date and any new work agreed.

The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” detailed in **Appendix A**. The Audit Committee can take assurance that improvement actions have been agreed with management to address each finding reported.

To assist the Committee in its important monitoring role, a summary of the key audit findings that have resulted Limited assurance opinions can be found at **Appendix B**. There were two Limited opinion audits over the period, Schools Financial Value Standard (SFVS): Ashlands CofE Primary School and Climate Emergency: Governance Arrangements. As a matter of course we do not summarise individual schools to this Audit Committee as these are reported to the Governing Body of the school concerned. The overarching theme reported, however, will be reported to this Audit Committee if the overall assessment is Limited or No Assurance.

We perform follow-up reviews for all No and Limited assurance opinion audits. The results of follow-up reviews performed this year can be found in **Appendix C**. Follow-up reviews provide assurance that recommendations to mitigate identified risks have been implemented. One follow-up audit has been finalised since our last update in March, this being Commissioning and Delivery of New Schools.

As well as assurance provided by follow-up audits, managers responsible for agreed actions relating to No or Limited assurance audits have provided us with progress updates. There is a dashboard we will use to monitor management actions and an overview of the current position for is outlined on page 4.

Appendix E is a summary of work agreed and completed in addition to the core SCC Internal Audit Plan. This comprises grant certifications and advisory reviews for the Heart of the South West Local Enterprise Partnership (LEP).

Internal Audit Plan Update

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation’s risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.

SWAP audit plan coverage against strategic risks

The table below maps planned audit work to SCC’s key strategic risks to provide assurance of coverage.

Strategic Risk	Coverage
Climate Change	<ul style="list-style-type: none"> Climate Emergency: Governance Arrangements
Organisational resilience	<ul style="list-style-type: none"> Adults Workforce Planning LGR workstream support
Adults Sufficiency and Capacity	<ul style="list-style-type: none"> Athena Contract Eclipse Benefits Realisation Adults Workforce Planning
Supplier Disruption	<ul style="list-style-type: none"> Contract Management Supplier Resilience Follow Up
Sustainable MTFP	<ul style="list-style-type: none"> Establishment Control Good Financial Governance Baseline Fraud Assessment Follow Up Highways Application for Payment Follow Up
Safeguarding Children	<ul style="list-style-type: none"> Children Missing from Education Supporting Families Programme
Local Government Reorganisation	<ul style="list-style-type: none"> LGR workstream support (See Appendix D table 2) New Finance system support
Market Management and development	<ul style="list-style-type: none"> Contract Management LEP grants

■	Good coverage in plan
■	Adequate coverage in plan
■	No coverage in plan

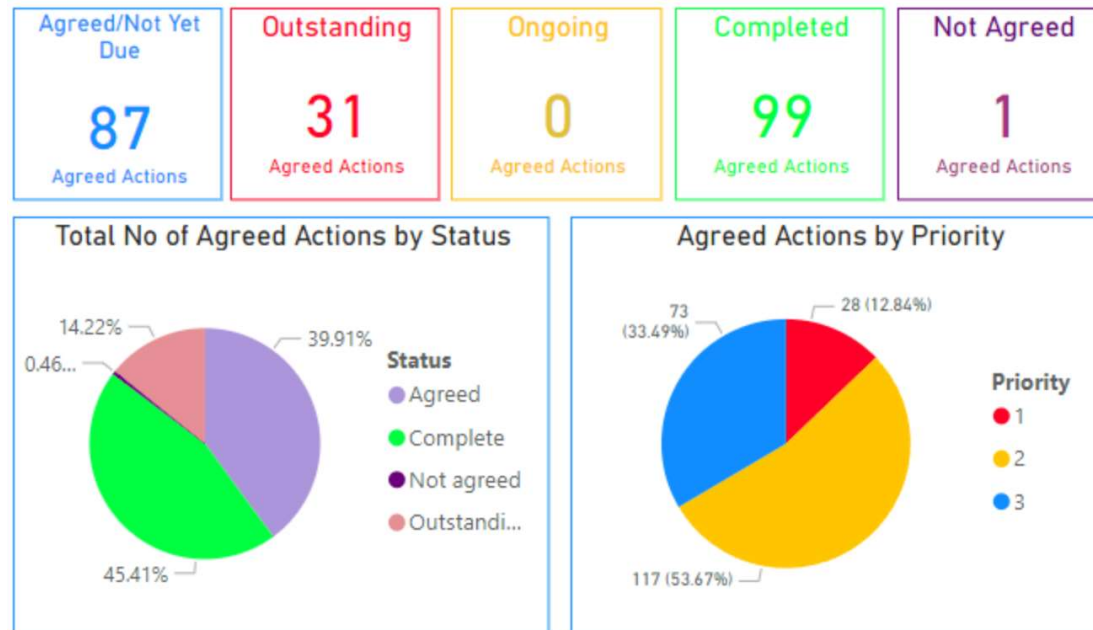
Internal Audit Plan Update

Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.

Implementation of Agreed Management Actions

As well as assurance provided by follow-up audits, managers responsible for agreed actions relating to limited assurance audits have provided progress updates to Internal Audit. The chart below shows the position for Somerset County Council relating to the end of the 2022/23 Audit Plan. Note these outstanding recommendations, combined with outstanding recommendations from the Somerset District Council Authorities have been included in a new dashboard that will be reported alongside the 2023/24 Audit Plan in future Audit Committees.

Agreed Actions made by Internal Audit



There are 31 overdue actions. These actions relate to:

- CSC Training & Safeguarding
- Education Safeguarding – Complaints and Concerns

Internal Audit Plan Update

Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.

Implementation of Agreed Management Actions Continued

- School Balances
- Transport Budget Governance
- Community Learning Partnerships
- Athena
- Children Missing from Education

Planned follow-ups for CSC Training and Safeguarding, Safeguarding – Complaints and Concerns, Community Learning Partnerships and School Balances have been deferred to 2023/24 – please see **Appendix D** for further information. Please note that all limited assurance and no assurance audits will be followed up to provide assurance agreed actions have been implemented and risk exposure reduced.

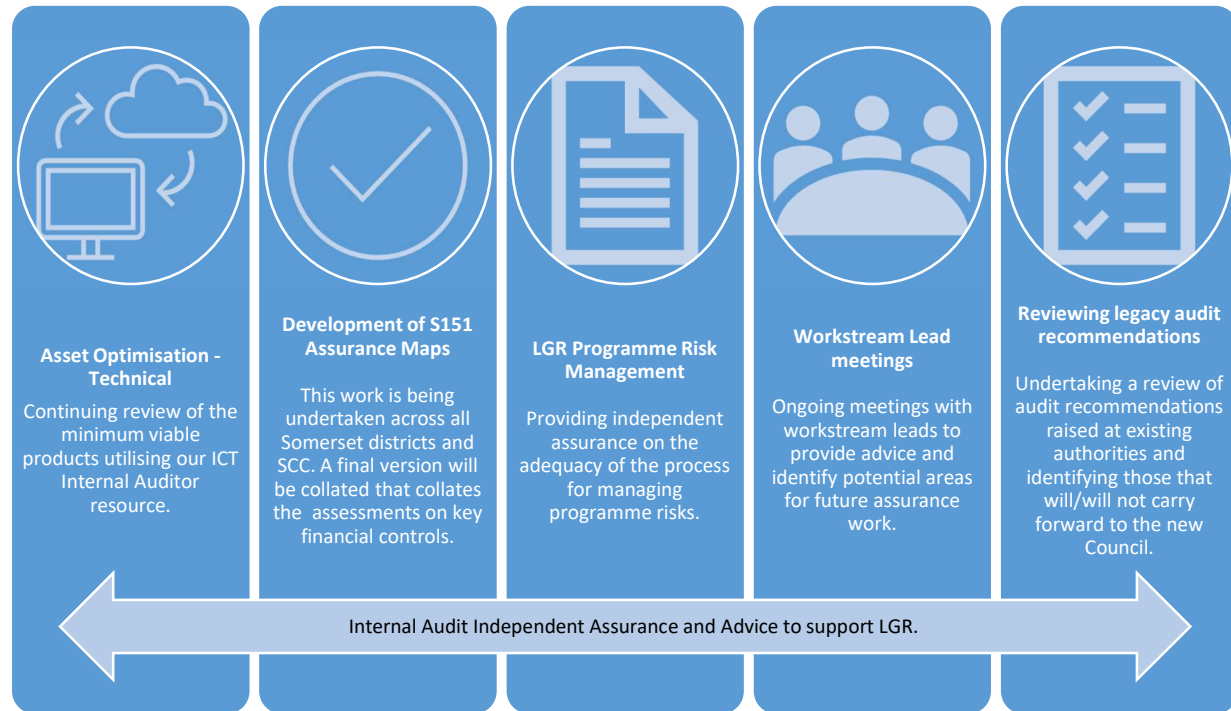
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Internal Audit Plan Update

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 2022/23 we included time to provide Unitary Programme Assurance Work as well as Unitary Workstream support. Most Programme Quality 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 are focussing on are detailed in the chart below.



Assurance Definitions	
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is 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 exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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Definition of Corporate Risks	
Risks	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.

Climate Emergency: Governance Arrangements – Final Report – June 2023



Audit Objective

To establish whether the Council has effective governance arrangements in place to support and challenge the delivery of its corporate priority on Climate Change, and the actions set out within its Climate Emergency Strategy.

Assurance Opinion



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.

Number of Actions

Priority	Number
Priority 1	3
Priority 2	7
Priority 3	0
Total	10

Risk Reviewed

The council experiences reputational damage, and potential financial loss, through failing to deliver on one of its corporate priorities and take appropriate action to mitigate the threat of climate change and its associated impacts.

Assessment

High

Key Findings

- There is limited resource supporting CES delivery. There is no approved staffing structure post-Vesting Day. There has been no evaluation of existing skills against the skills and resources needed to deliver the CES. Some activity that could be delivered internally is being outsourced.
- The Somerset Climate Emergency Strategy (CES) outcomes set by sectoral workstream leads are not SMART, and there is no action plan to deliver them. Time has been spent recording existing organisational activities in an action tracker, but not all have an owner, and none have been prioritised or quantified to show a cost benefit impact. There is no carbon baseline for the county to measure against.
- Many identified CES activities have not been able to be costed. Figures recorded in the tracker are estimates, accurate quotations, business as usual or available funding. The council has not invested in roles, such as bid writers and carbon accounts, that could help secure more external funding.
- The CES is not fully embedded into the council's culture and structure. Decision makers across the current organisation do not consistently consider carbon impacts. There has been poor take up of carbon literacy training by members and senior leadership team. Somerset Council will need to address this.
- There is limited formal performance and/or empirical monitoring of the CES. While a climate change performance indicator is included in Executive reports, it is not reported on in any detail and no links are made with the Climate Emergency Strategy actions or outcomes.

Audit Scope

We reviewed the following controls:

- Objectives/actions are SMART. There has been a cost benefit analysis of identified actions to prioritise resource management and maximise carbon savings.
- Performance indicators, monitoring and reporting, including an agreed baseline from which to measure achievement.
- Resourcing is monitored and revised to ensure delivery of those outcomes. Resources include skills and knowledge of officers and budgets to deliver agreed actions.
- Internal and external communications are coordinated and consistent to ensure buy-in and effective delivery of the strategic goals.
- Training and policy development to embed the outcomes of the Climate Emergency Strategy corporately.

Other Relevant Information

The Somerset Climate Emergency Strategy (CES) aspires to achieve a 'Carbon Neutral Somerset' by 2030. The strategy was commended nationally as being outstanding by Climate Energy UK. The CES sets out three overarching goals which are underpinned by nine workstreams, 63 outcomes and 305 activities. In addition, the presiding political party manifesto sets 22 climate pledges. Cross-council working has been in place ahead of the LGR due to conclude in April 2023. The impact on the CES will include changes to governance arrangements and consolidation of Climate Emergency Teams.

We completed our fieldwork before March 2023. Our reported findings reflect conditions at that time. Management has agreed to implement 10 actions by 1st June 2024. Because we are offering a Limited assurance opinion, we will need to conduct a follow up audit.

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Commissioning and Delivery of Schools Follow Up – Final Report – May 2023



Follow Up Audit Objective

To provide assurance that management has implemented agreed actions to mitigate against risk exposure found in the 2019/20 Commissioning and Delivery of Schools audit.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Not Agreed	Summary
Priority 1	0	0	0	0	0
Priority 2	1	3	0	2	6
Priority 3	8	0	0	0	8
Total	9	3	0	2	14

Follow Up Assessment

We completed the original Commissioning and Delivery of Schools audit in 2019/20. We did this as an advisory review. Our aim was to confirm whether the council’s methods for commissioning and delivering new schools to specification, on time and within budget, were effective. We found fourteen weaknesses. Because of this, we agreed to conduct a follow up audit.

In this follow up, we found that officers have implemented nine of the agreed actions. However, three higher-priority actions are still outstanding. Our key findings are summarised below.

Key Findings



The council has made limited progress with the higher-priority actions.

There is no single document capturing the end-to-end process for commissioning and building new schools. The council is not consistently obtaining evidence of officer and customer design approvals. Nor has it formalised the pre-planning process.



Commissioning, Major Projects and Procurement have investigated different routes to market and are now using open tenders for smaller projects. These teams now agree and record the rationale behind route-to-market decisions. Following a period of outsourcing, the council is running the Planning function internally again. Commissioning and Major Projects have updated guidance documentation. Major Projects is now using purchase orders for project expenditure. Officers also reported improvements in the change control process.

Further Information

We have performed testing or reviewed supporting evidence to confirm the council’s progress in implementing all priority 1 and 2 actions. Our assessment of the priority 3 actions is based on self-assessment by the responsible officer. Please refer to Appendix 1 for our detailed findings.

Our original audit focused on two special school construction projects: Selworthy School – Hazelbrook Campus and Polden Bower Special School. Officers told us there have been no major special school projects since these were completed. This means there is limited evidence available to show the impact agreed actions have had on special school projects.

Table 1: SCC Internal Audit Plan

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Minor
					Recommendation		
Complete							
Assurance	School Condition Surveys	Complete	Limited	6	2	2	2
Follow Up	Mental Health – Care Plan Reviews and Financial Decision Making	Complete	N/A - Follow Up	-	-	-	-
Follow Up	Supplier Resilience	Complete	N/A - Follow Up	-	-	-	-
Assurance	LEP Financial Controls	Complete	Reasonable	3	0	0	3
Follow Up	Highways Maintenance – Application for Payment	Complete	N/A - Follow Up	-	-	-	-
Grant Certification	BDUK Grant Certification	Complete	Certified	-	-	-	-
Grant Certification	Universal Drug Treatment Grant	Complete	Certified	-	-	-	-
Advisory	Audit Committee Training following Elections	Complete	Advisory	-	-	-	-
Advisory	Good Financial Governance Checklist	Complete	Advisory	-	-	-	-
Grant Certification	Supporting Families Claim: May 2022	Complete	Certified	0	0	0	0
Assurance	Children Missing from Education	Complete	Limited	6	1	5	0
Follow Up	School Exclusion Data	Complete	N/A - Follow Up	-	-	-	-
Grant Certification	Supporting Families Claim: September 2022	Complete	Certified	1	0	0	1
Follow Up	Effectiveness of Schools Forum	Complete	N/A - Follow Up	-	-	-	-

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
Grant Certification	Contain Outbreak Management Fund (COMF)	Complete	Certified	-	-	-	-
Assurance	Contract Management	Complete	Limited	4	0	3	1
Grant Certification	Supporting Families Claim: December 2022	Complete	Certified	0	0	0	0
Investigation	Whistleblowing Allegation	Complete	Advisory	-	-	-	-
Follow Up	Vendor Management	Complete	N/A - Follow Up	-	-	-	-
Assurance	Baseline Assessment of Maturity in Relation to Fraud	Complete	Advisory	-	-	-	-
Assurance	SFVS: Westonzoyland Community Primary School	Complete	Reasonable	12	0	1	11
Assurance	SFVS: Thurlbear Primary School	Complete	Reasonable	7	0	2	5
Advisory	BDUK Milestone Testing	Complete	Advisory	-	-	-	-
Assurance	Athena Contract	Complete	Limited	11	3	5	3
Assurance	Adults Workforce Planning	Complete	Reasonable	4	0	3	1
Assurance	Schools Financial Value Standard – Central Controls	Complete	Reasonable	3	0	1	2
Assurance	SFVS: St John’s CofE Infants’ School	Complete	Limited	11	0	3	8
Investigation	Early Years Entitlement Allegation	Complete	Advisory	-	-	-	-
Assurance	SFVS: Kingsbury Episcopi Primary School	Complete	Limited	17	0	6	11
Grant Certification	Supporting Families Claim: February 2023	Complete	Certified	0	0	0	0

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
Follow Up	Berkley School Financial Review	Complete	N/A - Follow Up	-	-	-	-
Advisory	Whistleblowing/Counter Fraud Policies	Complete	Advisory	-	-	-	-
Grant Certification	Local Authority Bus Subsidy (Revenue) Grant Determination 2021/22	Complete	Certified	-	-	-	-
Advisory	Establishment Control	Complete	Advisory	-	-	-	-
Grant Certification	Local Transport Capital Block Funding Grant (21/22 audit)	Complete	Certified	-	-	-	-
Advisory	New Finance System – Build Controls 22/23	Complete	Advisory	-	-	-	-
Assurance	SFVS: Ashlands CofE Primary School	Complete	Limited	15	0	4	11
Investigation	New: Supplier Fraud Allegation	Complete	Advisory	-	-	-	-
Advisory	Audit Committee Development and Annual Report Support	Complete	Advisory	-	-	-	-
Follow Up	Commissioning and Delivery of New Schools	Draft	Advisory	-	-	-	-
Assurance	Climate Emergency: Governance Arrangements	Draft	Limited	10	3	7	0
Draft							
Assurance	Public Health – Reaching Areas of Deprivation - Smoking	Draft					
Assurance	Schools Financial Value Standard (SFVS) Theme Report	Draft					
Advisory	Cifas Support – Blue Badges 2022/23	Drafting					

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
In Progress							
Assurance	Adults – Eclipse Benefits Realisation	In progress					
Deferred/Removed							
Follow Up	Career Development and Pathways	Removed	Superseded as actions to be addressed through the People workstream.				
Follow Up	Cash Handling	Removed	New finance system being implemented. Actions to be addressed via Finance workstream.				
Assurance	Charging for Services	Removed	Fees are being aligned for the new Somerset Council, so there is limited value in reviewing current arrangements.				
Follow Up	Compliance with Corporate Purchasing Policy	Removed	Follow-up conducted last year showed some progress made. Actions to be addressed via Finance workstream.				
Follow Up	Corporate Management of Health and Safety	Removed	Health and safety arrangements are being reviewed for LGR. Actions to be addressed via People workstream.				
Follow Up	Creditors	Removed	New finance system being implemented. Actions to be addressed via Finance workstream.				
Follow Up	Debt Management	Removed	New finance system being implemented. Actions to be addressed via Finance workstream.				
Assurance	Adults – Financial Assessments	Deferred	Deferred due to forthcoming reform. Deferral agreed with the Director – Adults Services.				
Follow Up	Adults – Imperium/Diverse Rec Contract	Removed	Removal agreed with the Director – Adults Services.				
Advisory	Fraud Recruitment and Selection	Deferred	Deferred to Q1 2023/24 and look to build in fraud checks as part of recruitment process.				
Assurance	Finance – Capital Key Controls	Deferred	New finance system being implemented. External audit will cover during preparation of the accounts.				
Follow Up	Children’s – School Balances	Deferred	Advised by Finance that actions are not yet implemented due to staff turnover.				
Follow Up	Children’s – Community Learning Partnerships	Deferred	Advised by Finance that actions are not yet implemented due to staff turnover.				

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
Grant Certification	Bus Recovery Grant	Deferred	The Government has extended this grant to April 2023, so it cannot be audited before 2023/24.				
Grant Certification	Emergency Active Travel Grant	Deferred	This grant cannot be audited before it is expended. Finance projections indicate the grant will be spent by the end of 2022/23.				
Grant Certification	Standard Highways Grant (DFT Funding)	Removed	Added to the plan in error; this is the same as the Local Transport Capital Block grant already included.				
Assurance	CDM Regulations (Construction Design Management) Maintenance and Infrastructure Highways	Deferred	Deferred to make way for LGR Programme Risk Management audit.				
Assurance	Property – Compliance with Regulations	Deferred	Deferred to make way for LGR Programme Risk Management audit.				
Assurance	Children’s – Recruitment of School Head Teachers and Staff	Deferred	Deferred due to LGR support requests.				
Follow Up	Children’s SEND – Costed Packages	Deferred	Deferred due to Education & Inclusion restructure.				
Follow Up	Education Safeguarding Complaints & Concerns	Deferred	Deferred due to Education & Inclusion restructure.				
Grant Certification	Test and Trace Support Grant	Removed	This grant was administered by the district councils, so there is no apparent requirement to audit.				
Assurance	Heathfield School Financial Controls	Removed	Financial control assessment recently completed by Education Financial Services.				
Follow Up	Adults – Quality Assurance Framework	Deferred	Rescheduled because the service expects to complete all actions by July 2023.				
Follow Up	Children’s – Training & Safeguarding	Deferred	Deferred to 2023/24.				
Advisory	Commercial Investments	Deferred	Deferred to 2023/24.				
Assurance	Flood and Water Management	Deferred	Deferred to 2023/24.				
Grant Certification	Local Transport Capital Block Funding including the Pothole Action Fund	Deferred	Deferred to 2023/24.				

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
Advisory	New Finance System – Data Validation	Deferred	Deferred to 2023/24.				
Advisory	Fraud related members and officers training	Deferred	Deferred to June 2023				

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	-	-	-	-	

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Advisory	Business Continuity	Complete	Advisory	-	-	-	-	
Advisory	Risk Management Workstream Support	Complete	Advisory	-	-	-	-	
Advisory	Asset Optimisation: Technical Workstream Support	Complete	Advisory	-	-	-	-	
Advisory	Legacy Audit Recommendations & AGS Actions	Complete	Advisory	-	-	-	-	
In progress/Ongoing								
Advisory	Payroll – Data matching/validation	In progress						
Deferred								
Advisory	Tech Forge Data Validation	Deferred						Deferred following discussion with workstream officers.

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The follow table provides an overview of the additional work SWAP has undertaken on behalf of SCC during 2022/23 in addition to the core partner audit plan. The list below provides a summary of the LEP grants signed off during 2022/23 as Somerset County Council is the administering body.

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Complete							
Grant Certification	ERDF – Co Adapt on-the-spot	Complete	Certified				
Grant Certification	Getting Building Fund – M5 J23 Dunball 21/22	Complete	Certified				
Grant Certification	Getting Building Fund – Trenchard Way 20/21	Complete	Certified				
Grant Certification	Getting Building Fund – Trenchard Way 21/22	Complete	Certified				
Grant Certification	Growth Deal – Bruton 20/21	Complete	Certified				
Grant Certification	Growth Deal – Bruton 21/22	Complete	Certified				
Grant Certification	Growth Deal – iAero Fit Out 20/21	Complete	Certified				
Grant Certification	Growth Deal – iAero Fit Out 21/22	Complete	Certified				
Grant Certification	Growth Deal – M5 J25	Complete	Certified				
Grant Certification	Growth Deal – Somerset Rivers Authority	Complete	Certified				
Grant Certification	Growth Deal – Taunton Digital Innovation Centre	Complete	Certified				
Grant Certification	Growth Deal – Toneway (18/19)	Complete	Certified				
Grant Certification	Growth Deal – Toneway (21/22)	Complete	Certified				
Grant Certification	Growth Deal – Wells	Complete	Certified				
Grant Certification	Growth Deal – Wiveliscombe	Complete	Certified				

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Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
					1	2	3
Grant Certification	Growth Deal – YWC	Complete	Certified				
Grant Certification	Growth Hub – Core Grant	Complete	Certified				
Grant Certification	Growth Hub – Peer Networks	Complete	Certified				
Grant Certification	LEP Growth Deal – Broadband	Complete	Certified				
Grant Certification	LEP Growth Deal – Mobile Boost 20/21 and 21/22	Complete	Certified				
Grant Certification	Wiveliscombe Enterprise Centre Office Rental Accounts	Complete	Certified				
Grant Certification	Bruton Enterprise Centre Office Rental Accounts	Complete	Certified				
Grant Certification	Wells Technology Enterprise Centre Office Rental Accounts	Complete	Certified				
Grant Certification	ERDF – Triple C Final Claim	Complete	Certified				
Grant Certification	ERDF – Co Adapt December 2022 Claim	Complete	Certified				
Grant Certification	Growth Hub – Core Grant (2022/23)	Complete	Certified				
Advisory	Heart of the Southwest LEP – Growing Places Fund	Complete	N/A				

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Outstanding Somerset District Council Audits

All Somerset District Council audits were targeted to be completed by March 2023 to inform the Annual Opinions due to be reported to each Authority in March 2023. The following are those reviews that had not been completed by beginning of March 2023. As the Somerset Council Audit Committee has assumed oversight post 1 April 2023, they are reported below.

South Somerset District Council

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Assurance	Energy Rebate Post Assurance	Complete	Reasonable	2	0	2	0	The review and testing of information relating to both Energy Rebate Schemes.
Assurance	Health & Safety Framework	Complete	Reasonable	6	0	0	6	
Grant Certification	Decarbonisation Grant - CIA sign off	Complete	Advisory	-	-	-	-	
Grant Certification	Test and Trace Support Payment Scheme	Complete	Advisory	-	-	-	-	

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Somerset West and Taunton

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Assurance	Creditors data review	Complete	Advisory	1	0	0	1	
Assurance	Homelessness	Complete	Reasonable	2	0	2	0	

Sedgemoor District Council

Audit Type	Audit Area	Status	Opinion	No of Rec	1 – Major 3 – Minor			Comments
					1	2	3	
Assurance	Housing - Service Charges	Complete	Limited	7	0	4	3	Homes in Sedgemoor (HiS) is taking the report to their Audit Committee. Action required by HiS.

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Somerset Council

Internal Audit Annual Opinion Report 2022/23 for Somerset County Council

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Agenda Item 6

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



8 Limited Assurance opinion reviews in the period (final report only)

Two Corporate Risks in the period



Progress against the 2022/23 Plan (including LGR)

- 55 planned reviews and support activities completed
- 3 reviews at draft stage
- 2 reviews in progress/on-going (Payroll and Adults – Eclipse Benefits Realisation)
- 27 LEP grants certified



Follow-ups in the period

8 follow-ups have been finalised since the last report.



Monitoring of agreed management actions (based on 8 follow up audits completed in year 22/23)

Priority	Agreed Actions	Implemented Actions	%
1	7	5	71%
2	38	19	50%
3	23	19	83%
Total	68	43	63%

Internal Audit Assurance Opinions 2022/23*

	YTD
Substantial	0
Reasonable	5
Limited	8
No Assurance	0
Advisory and Grants	20
Follow Up	8
LGR	14
Total	55

Internal Audit Agreed Actions 2022/23*

	YTD
Priority 1	9
Priority 2	42
Priority 3	59
Total	110

*Final reports only

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 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 Internal Audit 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.

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.

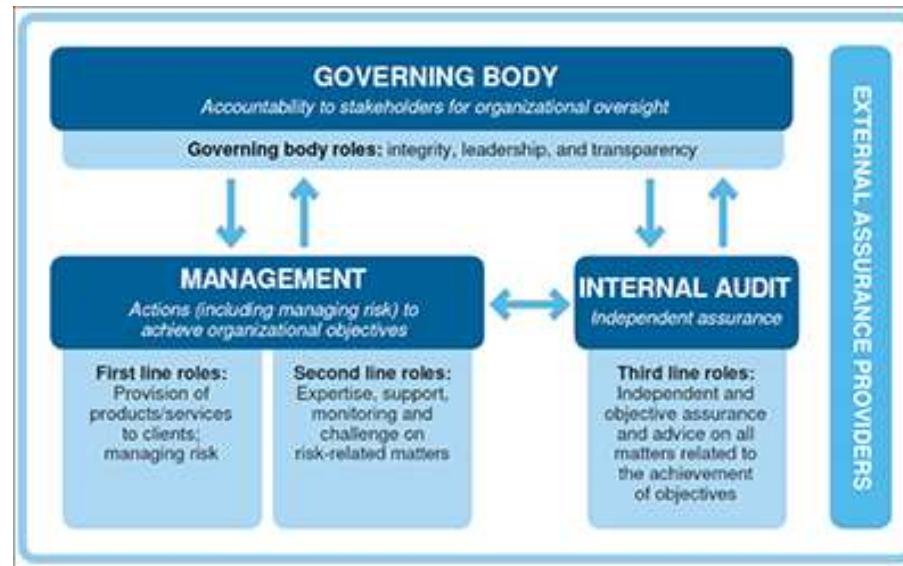


Background

The Internal Audit service for Somerset 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.



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 Somerset County 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 Somerset County Council during 2022/23 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. In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic risks. A summary of audit work carried out against the Council's strategic risk areas is provided in the next section on page 5. 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 workstreams 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.



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



Annual Opinion Continued

In forming our annual opinion for 2022/23 for Somerset County Council, 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. A schedule of audit work delivered can be found at **Appendix A**.

Over the year, the Internal Audit Team have found senior management of Somerset County Council to be generally supportive of Internal Audit findings and responsive to the recommendations made. In addition, there is a good relationship with management whereby they approach Internal Audit when they perceive potential problems. This can be demonstrated by the ongoing updates and requests for advisory work that were made to the plan during the year.

The plan is substantially complete, with only one audit remaining in progress and three waiting to be finalised. Eight follow-up audits were carried out during the year. Generally, the follow up work confirms the implementation of agreed recommendations to mitigate exposure to areas of significant risk. For five of the eight audits completed the risks have been judged to have been reduced sufficiently for recommendation tracking to cease completely. For the other three audits work was found to be in progress and there were reasons why the implementation of recommendations was taking longer.

As well as assurance provided by follow-up audits, this year the managers responsible for agreed actions relating to limited assurance audits have provided progress updates to internal audit. The results can be seen on page 11 of this report.

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



Audit Coverage by Corporate Risk

Table 1: Audit Coverage by Strategic Risk

The table below maps planned audit work to SCC’s key strategic risks to provide assurance of coverage.

Table Key	Good Coverage	Average Coverage	No Coverage
Strategic Risk	Coverage		
Climate Change	<ul style="list-style-type: none"> Climate Emergency: Governance Arrangements 		
Organisational resilience	<ul style="list-style-type: none"> Adults Workforce Planning LGR workstream support 		
Adults Sufficiency and Capacity	<ul style="list-style-type: none"> Athena Contract Eclipse Benefits Realisation Adults Workforce Planning 		
Supplier Disruption	<ul style="list-style-type: none"> Contract Management Supplier Resilience Follow Up 		
Sustainable MTFP	<ul style="list-style-type: none"> Establishment Control Good Financial Governance Baseline Fraud Assessment Follow Up Highways Application for Payment Follow Up 		
Safeguarding Children	<ul style="list-style-type: none"> Children Missing from Education Supporting Families Programme 		
Local Government Reorganisation	<ul style="list-style-type: none"> LGR workstream support (See Appendix D table 2) New Finance system support 		
Market Management and development	<ul style="list-style-type: none"> Contract Management LEP grants 		

Coverage of the risks above has been supported by both delivery of SCC plan as well as LGR projects.

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 Committee's attention. For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Review Name / Risks

Athena Contract – The Council's responsibilities have not been delivered at the expected quality and cost by Athena through its contracted arrangements.

Review Name / Risks

Climate Emergency: Governance Arrangements – The council experiences reputational damage, and potential financial loss, through failing to deliver on one of its corporate priorities and take appropriate action to mitigate the threat of climate change and its associated impacts.

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 Work

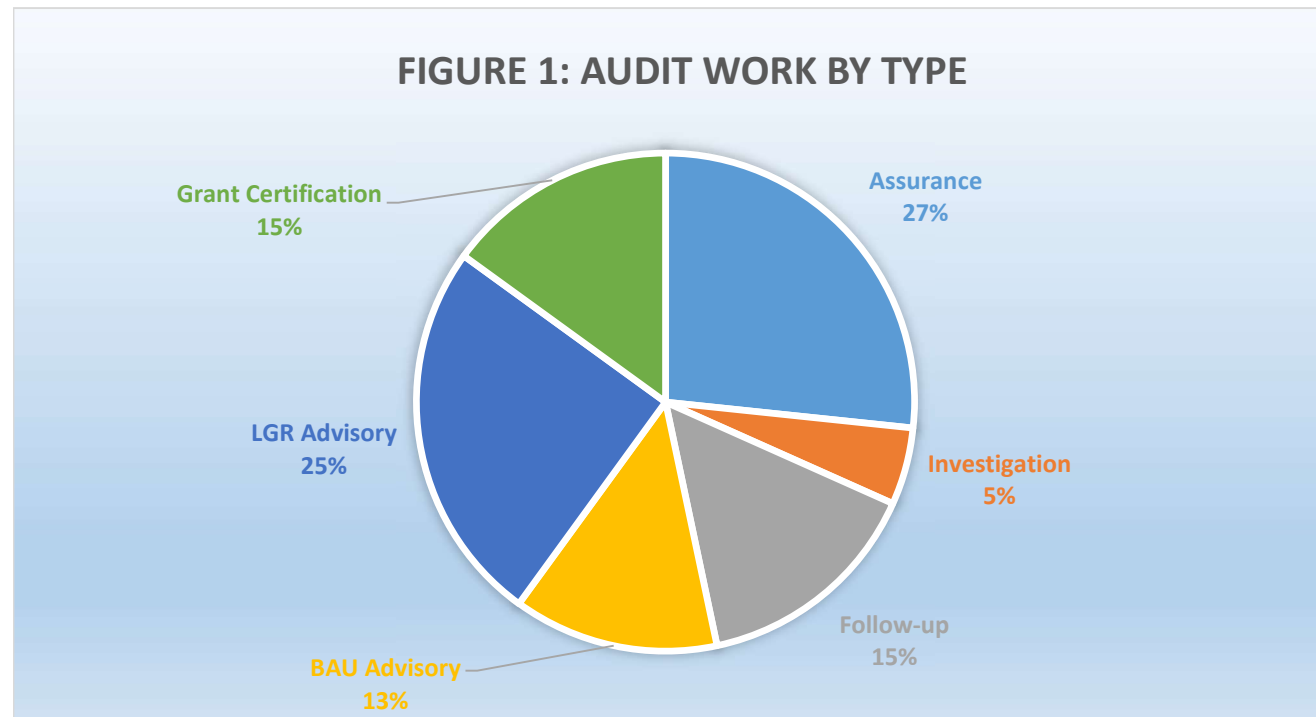


Figure 1 summarises the breakdown of the type of work that we have performed during the past year (2022/23). Due to LGR there has been a continued focus on the advisory audits.



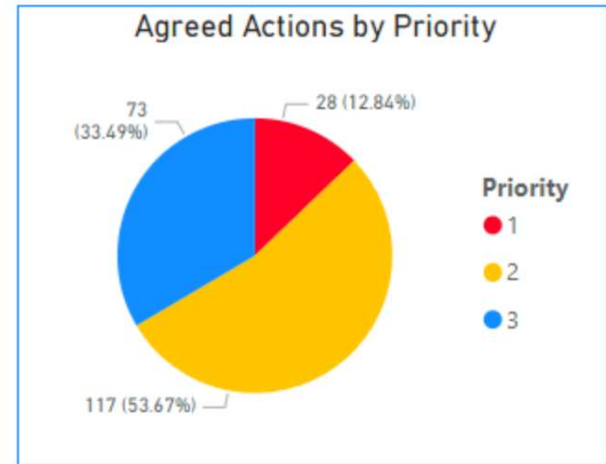
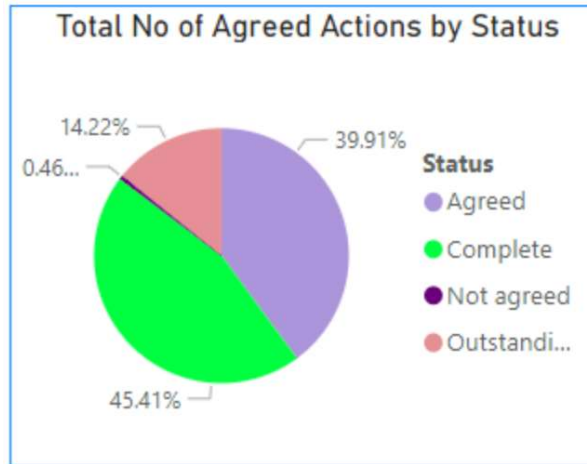
Summary of Internal Audit Work 2022/23

Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.

Management Actions

As well as assurance provided by follow-up audits, managers responsible for agreed actions relating to limited assurance audits have provided progress updates to Internal Audit. The chart below shows the final position for Somerset County Council, with the exception of any Limited/No Assurance reviews from the 2022/23 Internal Audit Plan that are at draft or still in progress.

Agreed Actions made by Internal Audit



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Summary of Internal Audit Work 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 SCC 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 this 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 – SCC Internal Audit Plan

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
Completed Work							
Assurance	School Condition Surveys	Complete	Limited	6	2	2	2
Follow Up	Mental Health – Care Plan Reviews and Financial Decision Making (June 2022)	Complete	N/A - Follow Up	-	-	-	-
Follow Up	Supplier Resilience	Complete	N/A - Follow Up	-	-	-	-
Assurance	LEP Financial Controls	Complete	Reasonable	3	0	0	3
Follow Up	Highways Maintenance – Application for Payment	Complete	N/A - Follow Up	-	-	-	-
Grant Certification	BDUK Grant Certification	Complete	Certified	-	-	-	-
Grant Certification	Universal Drug Treatment Grant	Complete	Certified	-	-	-	-
Advisory	Audit Committee Training following Elections	Complete	Advisory	-	-	-	-
Advisory	Good Financial Governance Checklist	Complete	Advisory	-	-	-	-
Grant Certification	Supporting Families Claim: May 2022	Complete	Certified	0	0	0	0
Assurance	Children Missing from Education	Complete	Limited	6	1	5	0
Follow Up	School Exclusion Data	Complete	N/A - Follow Up	-	-	-	-
Grant Certification	Supporting Families Claim: September 2022	Complete	Certified	1	0	0	1
Follow Up	Effectiveness of Schools Forum	Complete	N/A - Follow Up	-	-	-	-

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Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
Grant Certification	Contain Outbreak Management Fund (COMF)	Complete	Certified	-	-	-	-
Assurance	Contract Management	Complete	Limited	4	0	3	1
Grant Certification	Supporting Families Claim: December 2022	Complete	Certified	0	0	0	0
Investigation	Whistleblowing Allegation	Complete	Advisory	-	-	-	-
Follow Up	Vendor Management	Complete	N/A - Follow Up	-	-	-	-
Assurance	Baseline Assessment of Maturity in Relation to Fraud	Complete	Advisory	-	-	-	-
Assurance	SFVS: Westonzoyland Community Primary School	Complete	Reasonable	12	0	1	11
Assurance	SFVS: Thurlbear Primary School	Complete	Reasonable	7	0	2	5
Advisory	BDUK Milestone Testing	Complete	Advisory	-	-	-	-
Assurance	Athena Contract	Complete	Limited	11	3	5	3
Assurance	Adults Workforce Planning	Complete	Reasonable	4	0	3	1
Assurance	Schools Financial Value Standard – Central Controls	Complete	Reasonable	3	0	1	2
Assurance	SFVS: St John's CofE Infants' School	Complete	Limited	11	0	3	8
Investigation	Early Years Entitlement Allegation	Complete	Advisory	-	-	-	-
Assurance	SFVS: Kingsbury Episcopi Primary School	Complete	Limited	17	0	6	11
Grant Certification	Supporting Families Claim: February 2023	Complete	Certified	0	0	0	0

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Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
Follow Up	Berkley School Financial Review	Complete	N/A - Follow Up	-	-	-	-
Advisory	Whistleblowing/Counter Fraud Policies	Complete	Advisory	-	-	-	-
Grant Certification	Local Authority Bus Subsidy (Revenue) Grant Determination 2021/22	Complete	Certified	-	-	-	-
Advisory	Establishment Control	Complete	Advisory	-	-	-	-
Grant Certification	Local Transport Capital Block Funding Grant (21/22 audit)	Complete	Certified	-	-	-	-
Advisory	New Finance System – Build Controls 22/23	Complete	Advisory	-	-	-	-
Assurance	SFVS: Ashlands CofE Primary School	Complete	Limited	15	0	4	11
Investigation	New: Supplier Fraud Allegation	Complete	Advisory	-	-	-	-
Advisory	Audit Committee Development and Annual Report Support	Complete	Advisory	-	-	-	-
Follow Up	Commissioning and Delivery of New Schools	Complete	Advisory	-	-	-	-
Assurance	Climate Emergency: Governance Arrangements	Complete	Limited	10	3	7	0
Draft							
Assurance	Public Health – Reaching Areas of Deprivation - Smoking	Draft	Advisory	-	-	-	-
Assurance	Schools Financial Value Standard (SFVS) Theme Report	Draft	Limited	7	0	6	1
Advisory	Cifas Support – Blue Badges 2022/23	Drafting					

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Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
In Progress							
Assurance	Adults – Eclipse Benefits Realisation	In progress					
Deferred/Removed							
Follow Up	Career Development and Pathways	Removed	Superseded as actions to be addressed through the People workstream.				
Follow Up	Cash Handling	Removed	New finance system being implemented. Actions to be addressed via Finance workstream.				
Assurance	Charging for Services	Removed	Fees are being aligned for the new Somerset Council, so there is limited value in reviewing current arrangements.				
Follow Up	Compliance with Corporate Purchasing Policy	Removed	Follow-up conducted last year showed some progress made. Actions to be addressed via Finance workstream.				
Follow Up	Corporate Management of Health and Safety	Removed	Health and safety arrangements are being reviewed for LGR. Actions to be addressed via People workstream.				
Follow Up	Creditors	Removed	New finance system being implemented. Actions to be addressed via Finance workstream.				
Follow Up	Debt Management	Removed	New finance system being implemented. Actions to be addressed via Finance workstream.				
Assurance	Adults – Financial Assessments	Deferred	Deferred due to forthcoming reform. Deferral agreed with the Director – Adults Services.				
Follow Up	Adults – Imperium/Diverse Rec Contract	Removed	Removal agreed with the Director – Adults Services.				
Advisory	Fraud Recruitment and Selection	Deferred	Deferred to Q1 2023/24 and look to build in fraud checks as part of recruitment process.				
Assurance	Finance – Capital Key Controls	Deferred	New finance system being implemented. External audit will cover during preparation of the accounts.				
Follow Up	Children’s – School Balances	Deferred	Advised by Finance that actions are not yet implemented due to staff turnover.				

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Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
Follow Up	Children's – Community Learning Partnerships	Deferred	Advised by Finance that actions are not yet implemented due to staff turnover.				
Grant Certification	Bus Recovery Grant	Deferred	The Government has extended this grant to April 2023, so it cannot be audited before 2023/24.				
Grant Certification	Emergency Active Travel Grant	Deferred	This grant cannot be audited before it is expended. Finance projections indicate the grant will be spent by the end of 2022/23.				
Grant Certification	Standard Highways Grant (DFT Funding)	Removed	Added to the plan in error; this is the same as the Local Transport Capital Block grant already included.				
Assurance	CDM Regulations (Construction Design Management) Maintenance and Infrastructure Highways	Deferred	Deferred to make way for LGR Programme Risk Management audit.				
Assurance	Property – Compliance with Regulations	Deferred	Deferred to make way for LGR Programme Risk Management audit.				
Assurance	Children's – Recruitment of School Head Teachers and Staff	Deferred	Deferred due to LGR support requests.				
Follow Up	Children's SEND – Costed Packages	Deferred	Deferred due to Education & Inclusion restructure.				
Follow Up	Education Safeguarding Complaints & Concerns	Deferred	Deferred due to Education & Inclusion restructure.				
Grant Certification	Test and Trace Support Grant	Removed	This grant was administered by the district councils, so there is no apparent requirement to audit.				
Assurance	Heathfield School Financial Controls	Removed	Financial control assessment recently completed by Education Financial Services.				
Follow Up	Adults – Quality Assurance Framework	Deferred	Rescheduled because the service expects to complete all actions by July 2023.				
Follow Up	Children's – Training & Safeguarding	Deferred	Deferred to 2023/24.				
Advisory	Commercial Investments	Deferred	Deferred to 2023/24.				
Assurance	Flood and Water Management	Deferred	Deferred to 2023/24.				

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Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Minor
					Recommendation		
					1	2	3
Grant Certification	Local Transport Capital Block Funding including the Pothole Action Fund	Deferred	Deferred to 2023/24.				
Advisory	New Finance System – Data Validation	Deferred	Deferred to 2023/24.				
Advisory	Fraud related members and officers training	Deferred	Deferred to June 2023				

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	-	-	-	-	

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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	Local Community Networks (Support)	Complete	Advisory	-	-	-	-	
Advisory	Business Continuity	Complete	Advisory	-	-	-	-	
Advisory	Risk Management Workstream Support	Complete	Advisory	-	-	-	-	
Advisory	Asset Optimisation: Technical Workstream Support	Complete	Advisory	-	-	-	-	
Advisory	Legacy Audit Recommendations & AGS Actions	Complete	Advisory	-	-	-	-	
In progress/Ongoing								
Advisory	Payroll – Data matching/validation	In progress						
Deferred								
Advisory	Tech Forge Data Validation	Deferred						Deferred following discussion with workstream officers.

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Summary of Internal Audit Work 2022/23

The follow table provides an overview of the additional work SWAP has undertaken on behalf of SCC during 2022/23 in addition to the core partner audit plan. The list below provides a summary of the LEP grants signed off during 2022/23 as Somerset County Council is the administering body.

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
Complete							
Grant Certification	ERDF – Co Adapt on-the-spot	Complete	Certified				
Grant Certification	Getting Building Fund – M5 J23 Dunball 21/22	Complete	Certified				
Grant Certification	Getting Building Fund – Trenchard Way 20/21	Complete	Certified				
Grant Certification	Getting Building Fund – Trenchard Way 21/22	Complete	Certified				
Grant Certification	Growth Deal – Bruton 20/21	Complete	Certified				
Grant Certification	Growth Deal – Bruton 21/22	Complete	Certified				
Grant Certification	Growth Deal – iAero fit out 20/21	Complete	Certified				
Grant Certification	Growth Deal – iAero fit out 21/22	Complete	Certified				
Grant Certification	Growth Deal – M5 J25	Complete	Certified				
Grant Certification	Growth Deal – Somerset Rivers Authority	Complete	Certified				
Grant Certification	Growth Deal – Taunton Digital Innovation Centre	Complete	Certified				
Grant Certification	Growth Deal – Toneway (18/19)	Complete	Certified				
Grant Certification	Growth Deal – Toneway (21/22)	Complete	Certified				
Grant Certification	Growth Deal – Wells	Complete	Certified				

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Summary of Internal Audit Work 2022/23

Audit Type	Audit Name	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
1	2	3					
Grant Certification	Growth Deal – Wiveliscombe	Complete	Certified				
Grant Certification	Growth Deal – YWC	Complete	Certified				
Grant Certification	Growth Hub – Core Grant	Complete	Certified				
Grant Certification	Growth Hub – Peer Networks	Complete	Certified				
Grant Certification	LEP Growth Deal – Broadband	Complete	Certified				
Grant Certification	LEP Growth Deal – Mobile Boost 20/21 and 21/22	Complete	Certified				
Grant Certification	Wiveliscombe Enterprise Centre Office Rental Accounts	Complete	Certified				
Grant Certification	Bruton Enterprise Centre Office Rental Accounts	Complete	Certified				
Grant Certification	Wells Technology Enterprise Centre Office Rental Accounts	Complete	Certified				
Grant Certification	ERDF – Triple C Final Claim	Complete	Certified				
Grant Certification	ERDF – Co Adapt December 2022 Claim	Complete	Certified				
Grant Certification	Growth Hub – Core Grant (2022/23)	Complete	Certified				
Advisory	Heart of the Southwest LEP – Growing Places Fund	Complete	N/A				

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Somerset County Council Audit Plan

Year ending 31 March 2023

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Contents



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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.

Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into financial hardship, even poverty, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs for temporary staff and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as addressing topical public issues and areas of concern such as filling potholes.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical for an early completion of audits that draft local authority accounts are prepared to a high standard and supported by robust working papers.

Grant Thornton has produced a report 'About Time' that explores the reasons for delayed publication of audited local authority accounts. Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. This report concluded that amongst other things, the local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. An introduction to this report was included in the Progress Report and Sector Update reported to the April 2023 Audit Committee.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness. In particular, we will consider the arrangements around the transition to a Unitary Authority from 1 April 2023.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control and revenue recognition – refer to page 7.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Somerset County Council ('the Council') for those charged with governance.

Respective responsibilities

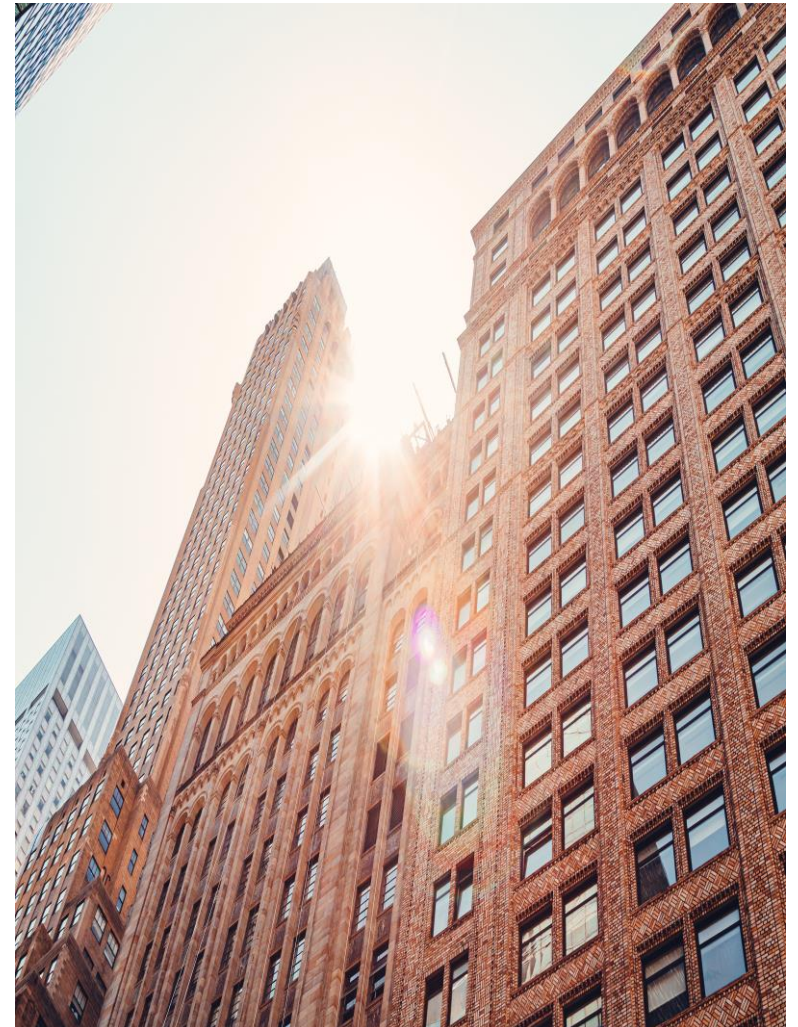
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Somerset County Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue transactions include fraudulent transactions – specifically for Fees, Charges and Other Service Income (the remaining sources of income are rebutted)
- Management override of controls
- Valuation of Land and Buildings
- Valuation of Pension Fund Net Liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Arrangements for transition to the new Unitary Authority
- Financial Sustainability - Risk to the delivery of the Financial Plan

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Materiality

We have determined planning materiality to be £14.4m (PY £14.4m) for the Council, which equates to 1.5% of your prior year gross operating costs. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.72m (PY £0.72m).

We have determined performance materiality at 65% of the materiality £9.37m (PY: £9.37m) Our rationale is set out on page 14.

We deem senior officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality of £20k (PY: £20k) the remuneration disclosure.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our interim and planning visit took place in April 2023 and our final visit will take place in September 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £136,465 (PY: £154,615) for the Council, subject to the Council delivering a good set of financial statements and working papers and addressing the issues highlighted in prior years, particularly around valuation of property, plant and equipment.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Significant risks identified

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<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. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</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 will:</p> <ul style="list-style-type: none">• evaluate the design effectiveness of management controls over journals• analyse the journals listing and determine the criteria for selecting high risk unusual journals• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Pension Fund Net Liability	<p>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 and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£870 million in the Authority's balance sheet at 31 March 2022) and the sensitivity of the estimate to changes in key assumptions.</p> <p>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.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update 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; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the authority to the actuary to estimate the liability; • test 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; • undertake 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; and • agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • obtain assurances from the auditor of the 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.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Land and Buildings (Rolling Revaluation)	<p>The council revalue its 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 and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority's 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.</p> <p>We therefore identified the appropriateness of the specific inputs and assumptions that drive the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• evaluate the competence, capabilities and objectivity of the valuation expert• write to the valuer to confirm the basis on which the valuation was carried out• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding• engage our own valuer to assess the instruction to the authority's valuer, the authority's valuer's report and the assumptions that underpin the valuation• test revaluations made during the year to see if they had been input correctly into the group's asset register• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Income from Fees, Charges and Other Service Income	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For Somerset County Council, we have concluded that the greatest risk of material misstatement relates to 'Fees, Charges, and Other Service Income'. We have therefore identified the occurrence of 'Fees, Charges, and Other Service Income' as a significant risk, which is one of the most significant assessed risks of material misstatement.</p> <p>We have rebutted this presumed risk for the other revenue streams of the Authority because:</p> <ul style="list-style-type: none"> • Other income streams are primarily derived from grants or formula based income from Central Government and tax payers; and/or • opportunities to manipulate revenue recognition are very limited. 	<p>For 'Fees, Charges and Other Service Income' we will:</p> <ul style="list-style-type: none"> • evaluate the group's accounting policy for recognition of income from fees, charges, and other service income for appropriateness; • gain an understanding of the authority's system for accounting for income from fees, charges, and other service income and evaluate the design of the associated controls; • agree, on a sample basis, amounts recognised as income from fees, charges and other service income in the financial statements to supporting documents. <p>For all other revenue streams, having considered the risk factors set out in ISA240, we have determined that the risk of fraud arising from revenue recognition can be rebutted, 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 Somerset County Council, mean that all forms of fraud are seen as unacceptable.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.

Page 77 We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;

- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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.

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Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £14.4m, which equates to 1.5% of your draft gross expenditure for the period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements– assist in establishing the scope of our audit engagement and audit tests– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none">– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.

Our approach to materiality

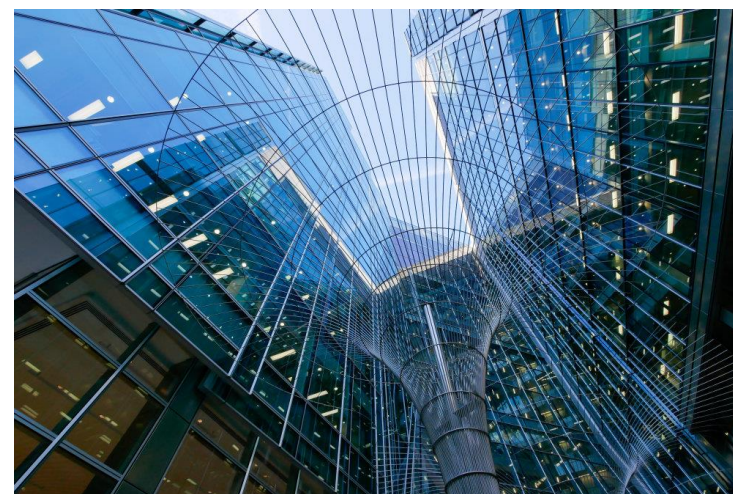
The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	Other communications relating to materiality we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £720,000. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

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.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	14.400m	This is equivalent to approximately 1.5% of the gross expenditure of the Council for the previous financial year, and is the same percentage and measure as the previous year.
Performance materiality	9.370m	<p>We have determined performance materiality at 65% of the materiality. Our rationale is as follows:</p> <ul style="list-style-type: none"> • Senior management and key reporting personnel in the finance function have remained stable from the prior year audit. • There were a number of misstatements and recommendations arising as a result of the financial statements audits in the prior years so we have a considered a lower percentage for this purpose.
Trivial matters	0.720m	Set at 5% of materiality.
Materiality for senior officer remuneration	0.020m	We deem senior officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality on the remuneration disclosure.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

system	Audit area	Planned level IT audit assessment
SAP	Financial reporting	Streamlined ITGC design assessment [Limited Scope Roll-forward procedures]

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Value for Money arrangements

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

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Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, 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

Risks of significant VFM weaknesses

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

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

Arrangements for transition to the new Unitary Authority

Local Government reorganisation in Somerset has resulted in the end to the current two-tier system from 1 April 2023, with a single Unitary Authority taking responsibility for service delivery across the county. There is a risk that appropriate arrangements were not in place to support a successful transition.

Page 83 In order to address this potential risk of significant weakness we will:

consider the arrangements that were put in place during 2022-23 to support a successful transition across key financial and governance workstreams;

assess how the Council worked with its partners to support the change as at 1 April 2023.

We anticipate being able to achieve this by reviewing meeting papers and minutes and interviewing those officers responsible for transition workstreams.

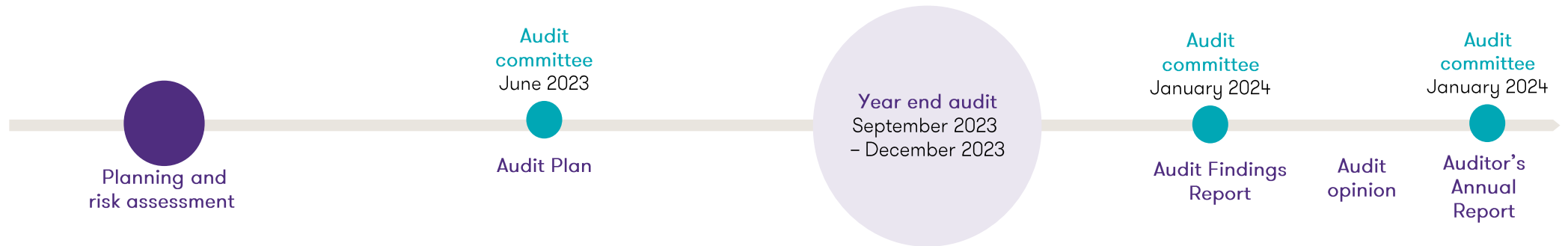
Financial Sustainability - Risk to the delivery of the Financial Plan

Whilst the Council has built up a healthier level of reserves and has strengthened its delivering of financial targets and savings in recent years, financial challenge and uncertainty continues to increase. In setting the 2022-23 budget and Medium Financial Strategy, the Council has identified the need to make a further savings.

In order to address this potential risk of significant weakness we will:

- further review progress towards delivering savings and additional income and assess the reasonableness of the assumptions that underpin the Council's Medium Term Financial Strategy, especially going forward into the newly merged unitary authority from 1 April 2023.
- We will review the delivery of the 2022-23 budget as well as how the Council has developed its financial plan.
- Further, we will consider potential funding gaps in financial planning that could substantially threaten the delivery of the plan.

Audit logistics and team



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Macaulay Gulliford, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work.



Grace Hawkins, Audit Senior Manager

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers.



Barrie Morris, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Somerset County Council to begin with effect from 2018/19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure and environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £5,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

Audit fees

	Actual Fee 2020/21	Actual Fee 2021/22	Proposed fee 2022/23
Somerset County Council Audit	£126,752	£154,615	£136,465

Assumptions

When setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

D. Fees

Fee analysis

Audit fees	Estimated fee
Scale fee per PSAA for 2022-23	84,215
Reduced materiality	3,750
Use of expert	5,000
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	500
Value for Money audit – new NAO requirements	20,000
ISA 540	6,000
ISA 315	5,000
Additional journals testing	3,000
Infrastructure	2,500
Quality review – response to FRC	1,500
Additional Risk Factors – Property, Plant and Equipment Valuations	5,000
Estimated fee	136,465

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Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The other services provided by Grant Thornton are outlined overleaf.

The amounts detailed are fees agreed to-date for audit related and non-audit services undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The table below outlines the other services for 2021-22 which have taken place in the 2022-23 financial year. Negotiations are ongoing with the Authority to agree other services for the 2022-23 financial year and an update will be provided in our Audit Findings Report.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teacher's Pension 2021-22	7,500	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management (as GT report to the grant paying body)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £172,288 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. The factual accuracy of our report, including representations from management, will be agreed with informed management.
Non-Audit Services			
CFO Insights (this service was initiated in July 2022 but applies to the 2022-23 financial year and is a three year contract)	£34,000 (for 3 years from 2022-23)	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,333 per annum for three years in comparison to the total fee for the audit of £154,615 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level. No significant self-review threat. The audit will consider the accounting treatment of the payments made and this is not part of CFOi service. The work will be undertaken by a team independent of the audit team

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.



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Somerset West and Taunton Audit Plan

Year ending 31 March 2023



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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.

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Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017/18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers. Grant Thornton has produced a report entitled 'About Time' that explores the reasons for delayed publication of audited local authority accounts.

Council developments

On 1 April 2023 the Council, along with the District Councils for Mendip, Sedgemoor, South Somerset and Somerset County Council transitioned to a single unitary authority. The impact of this reorganisation will be considered as part of our value for money work. We also expect to include an Emphasis of Matter paragraph within our audit report when this is issued.

Key matters



Our Responses

As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Council's Section 151 Officer.

We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.

Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.

We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.

We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Somerset West and Taunton Council ('the Council') for those charged with governance.

Respective responsibilities

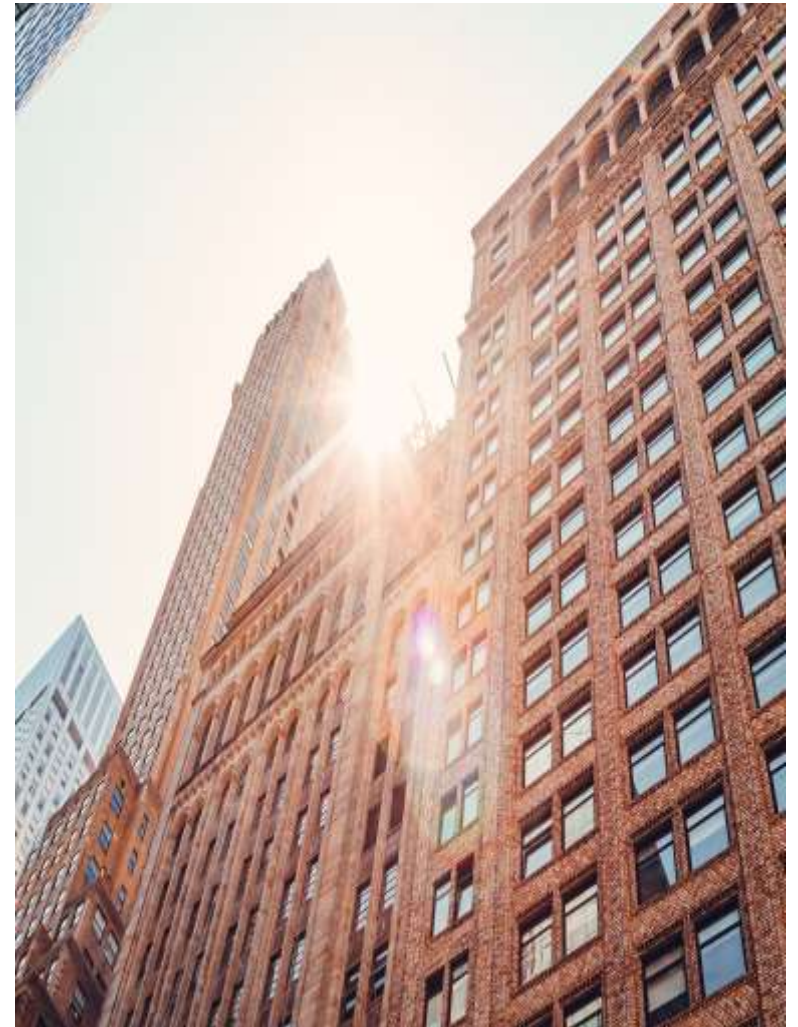
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Somerset West and Taunton Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- management override of controls;
- valuation of land and buildings, including Council Dwellings;
- valuation of investment property; and
 - valuation of the pension fund net liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £2.08m (PY £2.07m) for the Council, which equates to approximately 1.8% of your prior year gross operating costs. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £104k (PY £104k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risk of significant weakness:

- Arrangements for transition to the new Unitary Authority.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our interim visit took place in March and our final visit is planned to take place between July and September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit at the planning stage is £80,351 (PY: £76,100), subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Significant risks identified

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent revenue transactions (ISA240)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of material fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • there are adequate controls in place to deter and identify material fraud; and • the culture and ethical frameworks of local authorities, including Somerset West and Taunton Council, mean that all forms of fraud are seen as unacceptable. 	<p>At the planning stage we do not consider this to be a significant risk for Somerset West and Taunton Council. We will continue to consider this risk as we progress through the audit.</p>
Risk of fraud related to expenditure recognition (PAF Practice Note 10)	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.</p> <p>We have determined that the risk of material fraud arising from expenditure recognition can be rebutted because, per Practice note 10, misstatements may arise where the audited body is under pressure to meet externally set targets. This environment does not exist at the Council.</p>	<p>At the planning stage we do not consider this to be a significant risk for Somerset West and Taunton Council. We will continue to consider this risk as we progress through the audit.</p>

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Council'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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The key assumptions used in the calculation which we will consider are the assumed:</p> <ul style="list-style-type: none"> • Discount rate • Pension Increase rate • Salary growth • Life expectancy <p>Based on the issues above, we have identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test 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; • undertake 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; and • obtain assurances from the auditor of Somerset and Taunton 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.
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non rebuttable presumed risk that the risk of management override 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.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (including Council Dwellings)	<p>The Council revalues its 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 and the sensitivity of this estimate to changes in key assumptions.</p> <p>The Council’s portfolio of Council Dwellings is revalued five-yearly, with an indexation exercise applied in intervening years in accordance with the “Beacon” methodology .</p> <p>Management will need to ensure the carrying value in the Council 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.</p> <p>We therefore identified valuation of land and buildings (including Council Dwellings) as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council’s valuer’s report and the assumptions that underpin the valuation; • reconcile the data provided to the valuer to year end council dwelling listings; • confirm the valuation method for sub-archetype Council Dwellings is appropriate; • test revaluations made during the year to see if they had been input correctly into the Council’s asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Valuation of Investment Properties	<p>The Council has a significant investment property portfolio which must be valued annually at 31st March.</p> <p>As with other land and buildings, the valuation for these properties is sensitive to changes in key assumptions. We will consider the key assumptions used in the valuation, including the rental yield.</p> <p>Due to the estimation involved, we consider this to be a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council’s valuer’s report and the assumptions that underpin the valuation. This will include testing to rental or lease contracts to check the annual income for properties; • use an auditor’s expert with knowledge of investment property valuations to consider the rental yield figures used in valuation calculations; and • test revaluations made during the year to see if they had been input correctly into the Council’s asset register.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.

We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and/or
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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.

Description	Planned audit procedures
<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £2.08m, which equates to approximately 1.8% of your prior year gross operating costs.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes; and – assist in evaluating the effect of known and likely misstatements in the financial statements.
<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <p>We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20,000.</p>

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.

Description	Planned audit procedures
<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £104k. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</p>

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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IT system	Audit area	Planned level IT audit assessment
e5	Financial reporting	Understand design of ITGCs
Civica	Council Tax, Housing Benefits	Understand design of the ITGCs
iTrent	Payroll	Understand design of the ITGCs

Value for Money arrangements

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

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Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, 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

Risks of significant VFM weaknesses

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

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

Arrangements for transition to the new Unitary Authority

Local Government reorganisation in Somerset has resulted in the end to the current two-tier system from 1 April 2023, with a single Unitary Authority taking responsibility for service delivery across the county. There is a risk that appropriate arrangements were not in place to support a successful transition.

In order to address this potential risk of significant weakness we will:

- consider the arrangements that were put in place during 2022-23 to support a successful transition across key financial and governance workstreams; and
- assess how the Council worked with its partners to support the change as at 1 April 2023.

We anticipate being able to achieve this by reviewing meeting papers and minutes and interviewing those officers responsible for transition workstreams.

Audit logistics and team



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Jackson Murray, Key Audit Partner

Responsible for overall quality control, accounts opinion and Value for Money conclusion, final authorisation of reports and risk communication with management and the Audit Committee.



Oliver Durbin, Audit Manager

Responsible for the management of all audit fieldwork including the accounts audit, review of work performed by the in-charge auditor and attendance at Audit Committee and liaison meetings.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Somerset West and Taunton Council to begin with effect from 2018/19. The fee agreed in the contract was £47,000. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Council's Section 151 Officer.

Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
Somerset West and Taunton Council Audit (excluding VAT)	£73,600	£80,351

Assumptions

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- When setting the above fees, we have assumed that the Council will:
- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
 - provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
 - provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£54,501
New standards and developments (Including ISA 540 and journals)	£5,100
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Infrastructure assets	£2,500
Investment property valuation – auditor expert (estimate at planning)	£5,000
Increased audit requirements of ISA 315 revised	£3,000
Additional procedures in response to 2022 file reviews (payroll change of circumstances, Collection Fund reliefs testing)	£1,250
Total audit fees 2022/23 (excluding VAT)	£80,351

All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees	Threats	Safeguards
Non-Audit related			
Agreed upon procedures on the Pooling of Housing Capital receipts return	£7,500	Self-Interest (because these are recurring fees) Self review (because the financial information in the returns are included within the Council's financial statements)	The level of recurring fees taken on their own and in totality are not considered a significant threat to independence as the when compared to the total fee for the audit and in particular are not significant relative to Grant Thornton UK LLP's turnover overall. Further, they are fixed fees and there are no contingent elements.
Agreed upon procedures on the Housing Benefits subsidy claim	£20,000*	Management (because we may make recommendations to management)	We do not prepare the returns which we are auditing and do not expect material misstatements to the financial statements to arise from this work. The factual accuracy of our report, including any representations from management, are agreed with informed management. These factors all mitigate the perceived threats to an acceptable level.

*Covers the base cost of this work and includes the cost of 2 sets of additional testing. Additional errors identified are agreed with the Council and in accordance with the requirements of the DWP, additional testing is undertaken on each error. This additional testing is charged at £1,200 per set of additional tests. In 2022/23 we are not aware of any sets of additional testing that will be required due to issues identified brought forward from our 2021/22 work. Further errors identified during our 2022/23 work will result in further additional costs. Therefore, at the planning stage we expect the cost will be £20,000. This may increase following completion of our work and we will report the final fee to the Audit Committee following the conclusion of our work.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	<p>Respective responsibilities</p> <p>As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.</p>
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

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Somerset Pension Fund External audit plan

Year ending 31 March 2023

May 2023

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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 Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters



National context

For the general population, rising inflation, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment.

The pressures on household income have raised concerns that members will look at their pension contributions as a way of cutting back on their monthly costs. The cost-of-living crisis is having a detrimental impact on pension savings, with some even dipping in to their savings to supplement short-term needs and several members are also requesting early access to their pension after age 55 as a means to financially manage their commitments. The cost of living crisis makes it even more important that lower paid workers have access to a good quality pension.

The Somerset region has undergone local government reorganisation (LGR) which came into effect on 1 April 2023 with the formation of the new Somerset Council, a new unitary council replacing the previous two-tier system. The impact of this in the 2022/23 accounting year is minimal as for the period under audit the predecessor bodies were still in existence, and the functions previously performed by Somerset County Council as the administering authority will now be undertaken by Somerset Council.

2022/23 is also a triennial review year for English LGPS funds, with the new baseline set per the data as at 31 March 2022.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Director of Finance.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators.
- We hold annual financial reporting workshops for our clients to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control – refer to page 7.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Somerset Pension Fund (‘the Pension Fund’) for those charged with governance.

Respective responsibilities

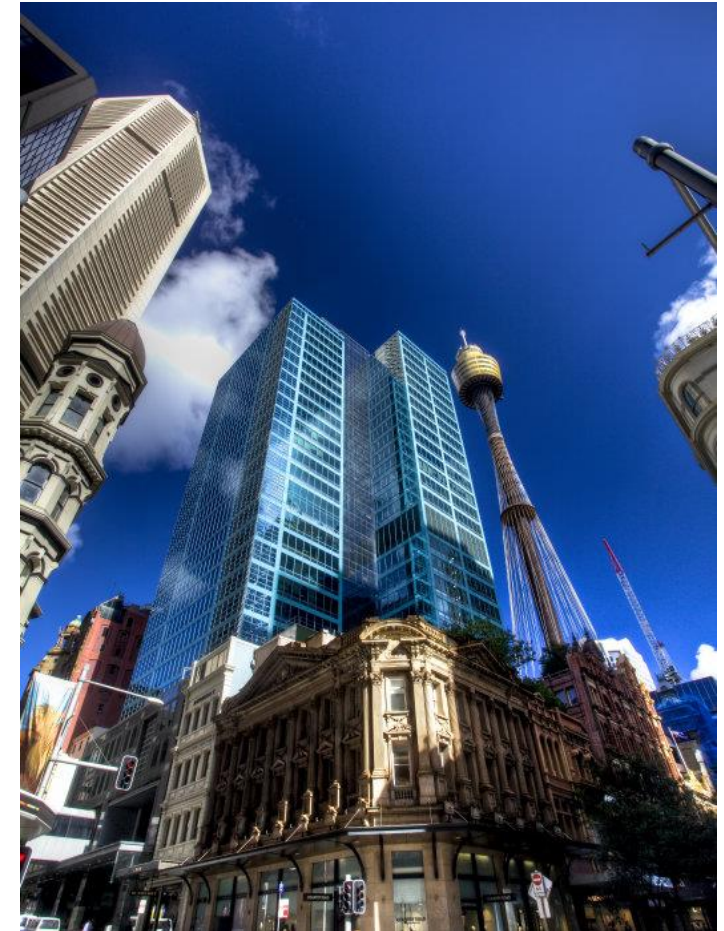
The National Audit Office (‘the NAO’) has issued a document entitled Code of Audit Practice (‘the Code’). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Somerset Pension Fund. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund’s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee).

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund’s business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue and expenditure recognition (rebutted)
- Management over-ride of controls
- Valuation of level 3 investments
- Valuation of the IAS26 pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £41.278m (PY £31m) for the Pension Fund, which equates to 1.45% of your prior year gross assets as at 31 March 2022. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £2.063m (PY £1.423m).

Audit logistics

Our interim visit took place in March 2023 and our final visit will take place in July / August 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £36,871 (PY: £33,659) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Significant risks identified

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition;• opportunities to manipulate revenue recognition are very limited; and• the culture and ethical frameworks of local authorities, including Somerset Pension Fund mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Somerset Pension Fund.</p>	No specific work is planned as the presumed risk has been rebutted.

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'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The expenditure cycle includes fraudulent transactions (rebutted)	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for Somerset Pension Fund because:</p> <ul style="list-style-type: none">• expenditure is well controlled and the Fund has a strong control environment; and• the Fund has clear and transparent reporting of its financial plans and financial position to those charged with governance. <p>We therefore do not consider this to be a significant risk for Somerset Pension Fund.</p>	No specific work is planned as the presumed risk has been rebutted.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<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 will:</p> <ul style="list-style-type: none">• evaluate the design effectiveness of management controls over journals;• analyse the journals listing and determine the criteria for selecting high risk unusual journals;• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	<p>The Fund revalues its investments on an annual basis at the year end to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and custodians as valuation experts to estimate the fair value as at 31 March 2023.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate management's processes for valuing Level 3 investments;• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met;• independently request year-end confirmations from investment managers and custodians;• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. We will reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period;• in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and• where available, review investment manager service auditor report on design effectiveness of internal controls.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Fund has chosen Option A in disclosing the actuarial present value of promised retirement benefits. As such, the Fund’s liability, as reflected in its Net Asset Statement, represents a significant estimate in the financial statements.</p> <p>The pension fund is a Local Government Pension Scheme, administered by Somerset County Council until 31 March 2023 then by Somerset Council from 1 April 2023. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£4,873 million in the Net Asset Statement) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We have therefore identified valuation of the Fund’s liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Fund’s liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work; • assess the competence, capabilities and objectivity of the actuary who carried out the valuation; • assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • test the consistency of the disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertake 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.

Other matters

Other work

The Pension Fund is administered by Somerset Council (the 'Council') since 1 April 2023 (previously Somerset County Council until 31 March 2023), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

We consider our other duties under legislation and the Code, as and when required, including:

- Giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State;
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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.

Matter	Description	Planned audit procedures
1	<p>Determination – Net Asset Statement</p> <p>We have determined financial statement materiality based on a proportion of the gross assets as at 31 March 2022 for the Pension Fund. Materiality at the planning stage of our audit is £41.278m (PY: £28.45m - calculated as 1% of net assets), which equates to 1.45% of your gross assets as at 31 March 2022.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;– assist in establishing the scope of our audit engagement and audit tests;– determine sample sizes; and– assist in evaluating the effect of known and likely misstatements in the financial statements.
2	<p>Determination – Fund Account</p> <p>We have determined a separate materiality for the balances in the Fund Account. This materiality is based on the same figures in the net asset statement, capped at no more than 10% of gross expenditure in the prior year. At the planning stage of our audit this materiality is £12.2m, which equates to 0.4% of your gross assets as at 31 March 2022.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;– assist in establishing the scope of our audit engagement and audit tests;– determine sample sizes; and– assist in evaluating the effect of known and likely misstatements in the financial statements.

Our approach to materiality

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
	<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.063m (PY £1.423m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</p>

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.

	Amount (£m)	Qualitative factors considered
Materiality for the Pension Fund's financial statements – Net Asset Statement	41.278	<p>We have considered the following qualitative factors.</p> <ul style="list-style-type: none">• Key users of the financial statements and which performance measures key stakeholders for the entity are interested in• Business environment• Control environment• Other sensitivities (e.g. Changes in regulations).
Materiality for the Pension Fund's financial statements – Fund Account	12.2	<p>We have considered the following qualitative factors.</p> <ul style="list-style-type: none">• Key users of the financial statements and which performance measures key stakeholders for the entity are interested in• Business environment• Control environment• Other sensitivities (e.g. Changes in regulations).



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 18.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
SAP	Financial reporting	<ul style="list-style-type: none">Streamlined ITGC design assessment [Limited Scope Roll-forward procedures]
Altair	Member data	<ul style="list-style-type: none">Detailed assessment of the design and implementation of the ITGCs

Audit logistics and team



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Julie Masci, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers



Liam Royle, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers



Macaulay Gulliford, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work

Audited Entity responsibilities

Where audited entities do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017 PSAA awarded a contract of audit for Somerset Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £x. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

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Enhanced requirements around understanding the Council's IT infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.

Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.

We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.

- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance.]

Audit fees

	Actual Fee 2020/21	Actual Fee 2021/22	Proposed fee 2022/23
Somerset Pension Fund Audit	*£30,121	*£33,659	**£36,871

* Not inclusive of amounts charged to the Pension Fund for Pension Assurance Letters to other auditors – see page 22

** Any changes to the scale fee will need to be approved by PSAA

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees

Fee analysis

Audit fees	Estimated fee
Scale fee per PSAA for 2022-23	20,871
ISA 540	3,500
ISA 315	3,000
Additional journals testing	2,000
Enhanced audit procedures for investments	2,500
Enhanced audit procedures for review of triennial valuation data	5,000
Estimated fee	36,871

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

One of the services provided are subject to contingent fees.

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Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	£12,600	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 is £12,600 in comparison to the total fee for the audit of £36,871 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Communication of audit matters with those charged with governance

Our communication plan

	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.



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Audit Committee

29 June 2023

Lead Officer: Jason Vaughan, Director of Resources & Corporate Services

Authors: Pam Pursley, Corporate Risk Manager

Angela Farmer, Equalities & Risk Manager

Contact Details: pam.pursley@somerset.gov.uk. angela.farmer@somerset.gov.uk

Associate Lead: Cllr Sarah Wakefield, Commercial Investments & Risk

Division and Local Member:

1. Summary / link to the County Plan

- 1.1. The management of risk has a direct link to the Council's Plan, the Medium-Term Financial Plan, forms an integral part of the Annual Governance Statement (AGS) and is a major component of the External Auditor's Value for Money Audit. Risk management is an essential component of good corporate governance.
- 1.2. The Account and Audit Regulations 2015 require the Council to have in place effective arrangements for the management of risk. These arrangements are reviewed annually and reported as part of the Annual Governance Statement (AGS).

2. Risks for consideration

- 2.1. The Strategic Risk Report (**Appendix A**) for Somerset Council contains 17 risks.
 - 7 are new strategic risks.
 - 6 are continuing strategic risks of the former Somerset County Council
 - 4 are emerging risks.A summary slide pack sent to all members of CLT is included as **Appendix B**.
- 2.2. **Strategic Risks carried over from Somerset County Council.** There are 6 strategic risks that continue to pose a risk to the new councils' objectives and are therefore retained on the register.
- 2.3. **New strategic risks.** Work with Executive & Service Directors has identified 7 new strategic risks, they cover additional financial risk, fraud, recruitment & retention of staff and the Adults Transformation programme. There is ongoing work to complete these risk records.

- 2.4. Emerging strategic risks.** Three strategic risks are still in the process of being assessed by the relevant Executive & Service Directors
- ORG0064 – Housing
 - ORG0067 – Coastal prevention & waterborne risks
 - ORG0072 – Equalities Compliance
 - ORG0073 – Unauthorised Gypsy & Travellers encampments

A full risk assessment process is being completed for each before they are formerly adopted onto the strategic register.

2.5. Risk Management Workplan June 2023 to March 2024

Appendix C outlines the workplan for risk management over the next 9 months. The plan focuses on additional processes and development work needed to embedded risk management principals into the new Council.

3. Background

- 3.1.** Following the creation of the new council there was a need to consider the existing strategic risks and the additional strategic risks. The former district councils had provided us with their strategic risk registers, these were considered in our discussions with Executive Directors. The emerging risks have been identified since Vesting Day.

4. Consultations undertaken

- 4.1.** Meetings have taken place with individual Executive & Service Directors
- 4.2.** Strategic risk report was sent to CLT members by email for comment

5. Implications

- 5.1.** The Strategic Risk Register supports the development and review of the Council's Plan. The Strategic Risk Register covers risks relating to Somerset Council, failure to identify and manage strategic risks may result in non-delivery of services, failed performance and wasted resources.

Strategic Risk Review & Control Measure Update report



Strategic Risks - SC(Executive Directors)

Details	cause	Consequence	Current Risk Assessment	Desired Risk Assessment									
ORG0009 Strategic Risk 2020 - CSC: Safeguarding Children: We fail to deliver our statutory service delivery duties and legal obligations in relation to vulnerable children.	Systemic leadership, financial constraints, and management challenges	Possible abuse, injury or loss of life to a vulnerable child through lack of provision of service. Reduced public confidence; emergency measures; increased inspection; personal litigation claims; negative publicity for both the Council and partners; possible financial penalty or service is removed from Council control.	Amber - High Risk 15 Impact 5 Likelihood 3	Amber - High Risk 15 Impact 5 Likelihood 3	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>30/09/2023</td> <td>19/04/2023</td> <td>0</td> <td>Claire Winter</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	30/09/2023	19/04/2023	0	Claire Winter
					Next Review Date	Last Review Date	Days Overdue	Risk Owner					
30/09/2023	19/04/2023	0	Claire Winter										

Risk Review Update

Review Summary: Regular QPRM meetings continue. QSRM meetings take place with the CEO, DCS and Lead Member for Children's Services on a quarterly basis. An annual conversation takes place with Ofsted to review performance data and practice activity. Updated on 05/10/2022 14:41:33

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0009/057	Quality, Review and Performance (QPRM) Meetings, led by the DCS, Deputy DCS and Assistant Directors	Review Summary: Regular QPRM meetings continue. QSRM meetings take place with the CEO, DCS and	In Progress (Reactive)	0	30/09/2023	Adrienne Parry

Strategic Risks - SC(Executive Directors)

Details	cause	consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0053 Strategic Risk 2020 - Resilience: Organisational Resilience: Without the minimum level of capacity and resource, the resilience of the organisation is compromised.	1. Recruitment & retention, competing with other local authorities and the private sector 2. Loss of staff specific to in-house system architecture (Revs & Bens, Housing, SAP etc) 3. Competing priorities including LGR transition, transformation projects and high service pressures etc 4. Emerging financial pressure in 2023-24 5. Assets & Infrastructure e.g. SAP,	Additional pressure on service delivery, fail to realise the staff savings targets.	Red - V. High Risk 20	V. Low Risk 10	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>07/08/2023</td> <td>12/06/2023</td> <td>0</td> <td>Chris Squire</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	07/08/2023	12/06/2023	0	Chris Squire
			Next Review Date	Last Review Date	Days Overdue	Risk Owner							
07/08/2023	12/06/2023	0	Chris Squire										
Impact 5 Likelihood 4	Impact 5 Likelihood 2												

Risk Review Update

Review Summary: 12/6/2023 - CSquire - Updated on 18/07/2022 13:20:30

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0053/012 New inhouse Replacement solutions and wider skills training		In Progress (Reactive)		0	15/07/2023	Craig Wilkins
ORG0053/009 H&S Create common processes so staff can be interchanged across County.	Review Summary: Being incorporated into Tech Forge processes as inspections and annual.	In Progress (Reactive)		30	21/05/2023	Heidi Boyle
ORG0053/011 Information Governance Asset register	Review Summary: Progressing alongside the Rec Mgt workstream with a view to a combined retention.	In Progress (Reactive)		81	31/03/2023	Rebecca Martin
ORG0053/010 ICT Increase awareness & understanding SCC around suspicious or unsolicited email with attachments & website file downloads.	Software purchased and running. Tested with SLT and members with a Phish campaign. All user	In Progress (Reactive)		477	28/02/2022	Dave Littlewood

Strategic Risks - SC(Executive Directors)

Details	cause	Consequence	Current Risk Assessment	Controlled Risk Assessment	Next Review Date	Last Review Date	Days Overdue	Risk Owner
ORG0056 Strategic Risk 2021 - Supply Chain: Potential for significant supplier disruption across all services but greatest risk to demand and sustainability of funding in the care provision sector, transport services and Waste.	External influences and uncertainties, e.g. Covid19 pandemic and it's effect on suppliers concurrently with the effects of leaving the EU and the formation of an Integrated Care System & Local Government Reorganisation, rising inflation, workforce shortages	increased costs, reduced staffing, effects on local / national suppliers may impact on our commissioning activity and result in SCC not achieving the outcomes it seeks.	Red - V. High Risk 16 Impact 4 Likelihood 4	Yellow - Medium Risk 12 Impact 4 Likelihood 3	05/07/2023	05/06/2023	0	Mickey Green

Risk Review Update

Review Summary: Commercial pressures in waste sector in particular have increased. Updated on 15/03/2023 12:14:02

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0056/005 Corporate procedures for contract management	Review Summary: Recently completed Contract Management Pioneer Programme with DLUHC and	In Progress (Reactive)		0	02/10/2023	Claire Griffiths
ORG0056/004 Working closely with children's care suppliers	Review Summary: 14/6/2023 - R Selwyn - Developing a sufficiency strategy for children looked	In Progress (Reactive)		0	15/07/2023	Richard Selwyn
ORG0056/003 Working closely with waste contractor market	Review Summary: 17/4/2023: Contractors are continuing to recruit to 115% of their required	In Progress (Reactive)		34	17/05/2023	Michael Cowdell

Strategic Risks - SC(Executive Directors)

Details	cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0057 Strategic Risk 2023 - Sustainable MTFP: 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 Page 146	* The councils funding not increasing at the same rate as the increase in costs. * The very high inflationary environment, increasing interest rates, tight labour market, fuel, energy, care provider & external placement costs are adversely impacting upon service costs * The Housing Revenue Account (HRA) and the capital programme. * The income to the council doesn't increase at the same causing a budget gap and potential overspends. * There is a deficit on the High Needs Block (HNB) of £30m as at 31 March 2022 and is projected to significantly increase by the time the DfE statutory override ends on 31 March 2026. At this stage the deficit would be offset	If there was no corrective actions taken then it would result in the Section 151 Officer issuing a section 114 Notice.	Red - V. High Risk 20	Yellow - Medium Risk 9	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>31/07/2023</td> <td>18/05/2023</td> <td>0</td> <td>Jason Vaughan</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	31/07/2023	18/05/2023	0	Jason Vaughan
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31/07/2023	18/05/2023	0	Jason Vaughan										
Impact 5 Likelihood 4	Impact 3 Likelihood 3												

Risk Review Update
 Review Summary: 18/5/2023 - JVaughan - Review of this risk to take place before 20th June 2023 Updated on 07/02/2023 11:29:46

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0057/007 Medium Term Financial Plan (MTFP) - Updated the MTFP for 2024/25 to 2026/27		Existing (Proactive)				Nicola Hix
ORG0057/008 Review of Reserves		Existing (Proactive)				Nicola Hix
ORG0057/009 Review of the High Needs Block		Existing (Proactive)				Nicola Hix

Strategic Risks - SC(Executive Directors)

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0057/006 Financial Strategy		In Progress (Reactive)		0	31/07/2023	Jason Vaughan

Strategic Risks - SC(Executive Directors)

Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0060 Strategic Risk 2022 - ASC: ASC fails to meet statutory obligations under the care act in relation to Care Provider market sufficiency and capacity Page 148	Insufficient / vulnerable independent adult social care market supply/capacity to meet rising demand for care and support and population needs	<ul style="list-style-type: none"> Needs and outcomes for individuals are not met in a timely, effective way; Hospital flow significantly affected due to insufficient intermediate care capacity High levels of unmet care need and package of care handbacks; rising levels of care provider business failure or closure; Risk to, and needs of, individuals awaiting care in the community increase; Failure to adequately safeguard adults at risk Increase in out of area/ respite / permanent residential/nursing placements (increased costs; poorer 	Yellow - Medium Risk 12 Impact 4 Likelihood 3	Yellow - Medium Risk 12 Impact 4 Likelihood 3	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>30/06/2023</td> <td>30/05/2023</td> <td>0</td> <td>Niki Shaw</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	30/06/2023	30/05/2023	0	Niki Shaw
			Next Review Date	Last Review Date	Days Overdue	Risk Owner							
30/06/2023	30/05/2023	0	Niki Shaw										

Risk Review Update

Review Summary: Capacity across our external independent adult social care provider market and workforce to meet high levels of need/demand within our communities and local hospitals posed a significant challenge in our ability to source timely care during the pandemic. However, over recent months, we have seen the impact of additional investment and commissioning activity, as well as some pick up in care provider recruitment of new starters, with levels of unmet homecare need significantly falling to their lowest levels since March 2021 (hitting just 4 at the end of April 2023 – OPEL 1 Escalation - and continuing at v low levels). Care Quality Commission data continues to demonstrate good overall quality across active social care settings, with the proportion of Good/Outstanding provision reported at 84.6% in April 2023. In January, Somerset launched a bold new Proud to Care campaign ('My Time To Care') as part of ongoing system efforts to encourage people to consider a career in care which has helped to generate new interest in the sector.

The service has submitted a Market Sustainability Plan nationally and is currently finalising its Market Position Statement ahead of wider promotion, with ongoing work progressing around the re-commissioning of the homecare market to better meet local need and address known gaps.

On 30 March 2023, a key decision was taken by the Lead Member for Adult Social Care regarding Fees and Charges for 2023-24; the uplifts represent a permanent increase of between 8.8% and 57.5% for the 2023/24 fy. This represents a total investment of £24.9m in the social care sector by the Council and has already supported lower level unmet homecare needs.

The service is preparing for new CQC assurance, which will include delivery of duties in relation to market shaping under the Care Act 2014, and has issued a care provider survey during May 2023 to gather feedback from the sector to support local insights. Updated on 03/05/2023 14:03:35

Strategic Risks - SC(Executive Directors)

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0060/008 Refresh Somerset's ASC Market Position Statement for launch in April 2023	Review Summary: James Cawley is leading on the refresh of Somerset's Market Position Statement and	In Progress (Reactive)		0	08/07/2023	Niki Shaw
ORG0060/009 Undertake and maintain a detailed self-assessment in relation to how the LA provides support (CQC Assurance)	Review Summary: Initial self-assessment against Theme 2 (Providing Support) category of new CQC	In Progress (Reactive)		0	08/07/2023	Niki Shaw

Strategic Risks - SC(Executive Directors)

Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0063 NEW strategic risk 2023 - Commercial Investments - Inability to achieve forecast income in the MTFP/dividend. Market factors, valuations control around properties, diversity of portfolio, geographical area of investments	* Rising interests rates * Increased borrowing * Debt	* Increased budget pressures * Debt portfolio * Negative media reporting leading to reputational damage	Red - V. High Risk	Amber - High Risk	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>20/06/2023</td> <td>05/06/2023</td> <td>0</td> <td>Jason Vaughan</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	20/06/2023	05/06/2023	0	Jason Vaughan
			Next Review Date	Last Review Date		Days Overdue	Risk Owner						
20/06/2023	05/06/2023	0	Jason Vaughan										
<table border="1"> <tr> <td style="background-color: red; color: white; text-align: center;">20</td> <td style="background-color: orange; text-align: center;">15</td> </tr> <tr> <td>Impact</td> <td>Impact</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Likelihood</td> <td>Likelihood</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">3</td> </tr> </table>	20	15	Impact	Impact	5	5	Likelihood	Likelihood	4	3			
20	15												
Impact	Impact												
5	5												
Likelihood	Likelihood												
4	3												

Risk Review Update
 Review Summary: will be presented to CLT on 20th June Updated on 02/03/2023 16:25:47

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner

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Strategic Risks - SC(Executive Directors)

Details	Cause	consequence	Current Risk Assessment	Controlled Risk Assessment	Next Review Date	Last Review Date	Days Overdue	Risk Owner
ORG0061 Strategic Risk 2022 - Climate Change: SC is unable to take sufficient urgent action to mitigate and adapt to the current and future impacts of climate change.			Red - V. High Risk 16 Impact 4 Likelihood 4	Yellow - Medium Risk 9 Impact 3 Likelihood 3	01/05/2023	18/01/2023	50	Kirsty Larkins

Risk Review Update

Review Summary: The position as described previously remains. The biggest limiting factor to achieving the ambitious goals to 2030 set out in the strategy will be the availability and prioritisation of funding. Updated on 04/10/2022 17:36:17

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0061/001 Delivery of the outcomes of Climate Emergency Strategy for Transport		Existing (Proactive)				David Carter
ORG0061/002 Delivery the Climate Emergency Strategy outcomes for Transport	Review Summary: Funding for bus priority and mobility hubs in Taunton and Somerton has been	In Progress (Reactive)		0	06/11/2023	Mike O'Dowd-Jones
ORG0061/010 Delivery of Climate Emergency Strategy outcomes for the Communications workstream	Review Summary: 09/03/2023 - Climate Change is identified as one of the Corporate priorities in the	In Progress (Reactive)		8	12/06/2023	Peter Elliott
ORG0061/005 Delivery of Climate Emergency Strategy outcomes for the Business and Supply Chain Workstream	Review Summary: Green business support programme outline finalised	In Progress (Reactive)		12	08/06/2023	Paul Hickson
ORG0061/009 Delivery of the Climate Emergency Strategy outcomes for the Waste and Resources workstream	Review Summary: Update being provided to CE programme Board in March 2023 setting out	In Progress (Reactive)		13	07/06/2023	Kirsty Larkins

Strategic Risks - SC(Executive Directors)

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	% Complete	Days Overdue	Review Date	Control Owner
ORG0061/007 Delivery of Climate Change Strategy outcomes for Farming and Food workstream	Review Summary: two meetings of the Somerset Food Strategy steering group have been held	In Progress (Reactive)		10	38	13/05/2023	Mark Fortune
ORG0061/006 Delivery of the Climate Emergency Strategy outcomes for the Natural Environment workstream	Review Summary: New Service Manager in place who is reviewing Strategy Outcomes	In Progress (Reactive)		10	62	19/04/2023	Jonathan Doyle
ORG0061/008 Delivery of the Climate Emergency Strategy outcomes for the Water workstream	Review Summary: New Service Manager in post, is reviewing recruitment and people strategy	In Progress (Reactive)		10	62	19/04/2023	Jonathan Doyle
ORG0061/003 Delivery of Climate Emergency Strategy Energy Workstream outcomes	Review Summary: Regular discussions continuing to be held between district and County energy leads.	In Progress (Reactive)		10	81	31/03/2023	Oliver Woodhams
ORG0061/004 Delivery of Climate Emergency Strategy outcomes for the Build Environment Workstream	Review Summary: Good progress has been made through waves 1 and 2 in the PSDS program in the	In Progress (Reactive)		10	81	31/03/2023	Oliver Woodhams

Strategic Risks - SC(Executive Directors)

Details	cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0062 Strategic Risk 2023 - Health and safety management, strategic planning and direction is not embedded across the Council, including Maintained Schools, resulting in a fragmented management system with increased	1. Corporate service operating for a number of years without a strategic lead 2. Inadequate staffing resource resulting in unsustainable demands 3. Organisational LGR reprioritisation 4. Uncertainty due to intended LGR service restructuring 5. Insufficient resource to enable early identification of increasing risk and statutory breaches 6. Reduced capacity to proactively and reactively engage with the workforce 7. Emerging existence of multiple risk management systems across the organisation 8. Limited H&S training to support managers and staff 9. Absence of corporate audits	1. Death or serious harm (RIDDOR Reportable Incidents and Dangerous Occurrence, excluding Over-seven-day incapacitation of a worker) to a service user, pupil, member of the public or a member of staff 2. Criminal prosecution and enforcement action under H&S / Fire / Corporate Manslaughter legislation 3. Civil Claims and/or personal litigation claims for negligence 4. Adverse publicity and damage to reputation for the Council 5. Increased audit inspection from enforcing bodies 6. Increased costs and financial penalties 7. Increased costs associated	Red - V. High Risk 16	Yellow - Medium Risk 12	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>07/08/2023</td> <td>12/06/2023</td> <td>0</td> <td>Chris Squire</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	07/08/2023	12/06/2023	0	Chris Squire
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07/08/2023	12/06/2023	0	Chris Squire										
Impact 4 Likelihood 4	Impact 4 Likelihood 3												

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Risk Review Update
 Review Summary: 12/6/2023 - C Squire - new live actions added Updated on 07/02/2023 13:23:43

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0062/001	SWAP internal audit into H & S culture	In Progress (Reactive)		0	06/11/2023	Daniel Thomas
ORG0062/002	work looking at structures, risks etc	In Progress (Reactive)		0	17/07/2023	To be confirmed

Strategic Risks - SC(Executive Directors)

Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0064 EMERGING: strategic risk 2023 - Housing - details to be completed by C Hall & C Brown			0 Impact Likelihood	0 Impact Likelihood	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>07/08/2023</td> <td>23/05/2023</td> <td>0</td> <td>Chris Hall</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	07/08/2023	23/05/2023	0	Chris Hall
					Next Review Date	Last Review Date	Days Overdue	Risk Owner					
07/08/2023	23/05/2023	0	Chris Hall										

Risk Review Update
 Review Summary: 23/05/2023 - C Hall. Will work to identify a strategic housing risk, this is an emerging risk for now Updated on 03/03/2023 11:39:43

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	% Complete	Days Overdue	Review Date	Control Owner

DRG 154

Strategic Risks - SC(Executive Directors)

Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0065 NEW strategic risk 2023 - Inability to recruit and retain staff	Unable to compete with the private sector especially around IT, legal & planning development management	Vacant hard to fill posts effecting the realization of benefits from LGR. Increased budget pressure from hiring agency staff Staff wellbeing	Red - V. High Risk 20	0	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>20/06/2023</td> <td>05/06/2023</td> <td>0</td> <td>Chris Squire</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	20/06/2023	05/06/2023	0	Chris Squire
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20/06/2023	05/06/2023	0	Chris Squire										
Impact 5 Likelihood 4	Impact Likelihood												

Risk Review Update

Review Summary: to be presented to CLT 20th June Updated on 03/03/2023 11:44:58

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0065/001 Workforce Strategy exercise with services		In Progress (Reactive)		0	03/07/2023	Chris Squire
ORG0065/002 Review of pay and grading		In Progress (Reactive)		0	03/07/2023	Chris Squire

Strategic Risks - SC(Executive Directors)

Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0066 NEW Strategic Risk 2023 - VCFSE - The continued risk of financial instability of the sector exacerbated by the financial pressure on Somerset Council and the requirements to make savings, lessening opportunity to make long	1. Currently only one year funding in place to 31/3/24 2. Unclear current position or whether funding will continue beyond April 2024 and if so to whom 3. Fragility of the sector	1. Impact on services - potential for increase in Council Tax and Rent arrears if no funding available to support VCFSE sector who provide support and advice to customers 2. Areas where VCFSE support the Council may well not get delivered or customers supported 3. Potential loss of some VCFSE groups	Yellow - Medium Risk 12	V. Low Risk 6	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>20/06/2023</td> <td>05/06/2023</td> <td>0</td> <td>Alyn Jones</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	20/06/2023	05/06/2023	0	Alyn Jones
			Next Review Date	Last Review Date	Days Overdue	Risk Owner							
20/06/2023	05/06/2023	0	Alyn Jones										
Impact 4 Likelihood 3	Impact 3 Likelihood 2												

Risk Review Update
 Review Summary: to be presented to CLT 20th June Updated on 23/03/2023 09:17:52

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0066/001	VCFSE Core group in place, monitoring spend, build business case for continued VCFSE funding and develop policy	In Progress (Reactive)		0	03/07/2023	Sara Skirton

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Strategic Risks - SC(Executive Directors)

Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0067 EMERGING: strategic risk 2023 - Costal protection & waterborne risks - work on wording and context taking place	The council fails to deliver statutory functions SDC Burnham On Sea jetty Beaches Harbours Ports Water Management Lead Local Flood Authority Costal protection Authority Somerset Rivers Authority	significant harm caused to residents, workers & visitors	0 Impact Likelihood	0 Impact Likelihood	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>07/08/2023</td> <td>31/05/2023</td> <td>0</td> <td>Sarah Dowden</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	07/08/2023	31/05/2023	0	Sarah Dowden
					Next Review Date	Last Review Date	Days Overdue	Risk Owner					
07/08/2023	31/05/2023	0	Sarah Dowden										

Risk Review Update

Review Summary: 31/5/2023 - Emerging risk - KLarkins and managers to work on, hence extension to review date Updated on 23/03/2023 09:21:08

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0067/001 Internal Audit to be completed 2023/24		Proposed				Kirsty Larkins

Strategic Risks - SC(Executive Directors)

Details	cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0068 NEW strategic risk 2023 - Increase in Fraudulent activity, including; unauthorised release of, amendment to, use of, loss of, and/or loss of access to, corporate/confidential information stored electronically. Page 158	<ul style="list-style-type: none"> * Transition & service alignment * Access to data for fraudulent purposes * Housing - benefit fraud, tenancy fraud * Council Tax / fraudulent claims * Social Care * Finance transactions * Contract & procurement * Recruitment & selection * Pension fraud * Payroll / expenses * Business Rates * Insurance costs * Grants * Blue Badge 		Red - V. High Risk 20	Yellow - Medium Risk 12	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>20/06/2023</td> <td>05/06/2023</td> <td>0</td> <td>Jason Vaughan</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	20/06/2023	05/06/2023	0	Jason Vaughan
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20/06/2023	05/06/2023	0	Jason Vaughan										
Impact 4 Likelihood 5	Impact 4 Likelihood 3												

Risk Review Update

Review Summary: to be presented to CLT 20th June Updated on 23/03/2023 09:32:30

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0068/002	SWAP compiled baseline assessment	Existing (Proactive)				Nicola Hix
ORG0068/003	Additional resource needs to be identified and placed within the Finance structure	In Progress (Reactive)		0	31/07/2023	Nicola Hix
ORG0068/001	Code of Conduct Training for all staff	In Progress (Reactive)		0	31/07/2023	David Clark
ORG0068/004	Review of Fraud Policy and associated documents	In Progress (Reactive)		0	31/07/2023	Claire Griffiths

Strategic Risks - SC(Executive Directors)

Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0070 NEW Strategic Risk 2023 - Budget Overspend in current year (2023/24)	* Rising interest rates		Red - V. High Risk	Amber - High Risk	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>31/07/2023</td> <td></td> <td>0</td> <td>Jason Vaughan</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	31/07/2023		0	Jason Vaughan
			Next Review Date	Last Review Date		Days Overdue	Risk Owner						
31/07/2023		0	Jason Vaughan										
20	15	Impact 5 Likelihood 4	Impact 5 Likelihood 3										

Risk Review Update

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0070/001 Financial Action Plan to address potential overspending in 2022/23		In Progress (Reactive)		0	31/07/2023	Jason Vaughan

Strategic Risks - SC(Executive Directors)

Details	Cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0071 NEW Strategic risk 2023: Risk that the Adults Social Care Transformation programme does not achieve its financial targets	Strategic partnership with Newton Europe to implement the next phase of Adult Social Care transformation ineffectively implemented, supported or monitored	Failure to achieve MTFP savings - falls back on Council to bridge the gap Failure to achieve key performance targets and strategic plan ambitions Negatively impacts on external and internal assurance / CQC assessment Reputational damage	Yellow - Medium Risk	Yellow - Medium Risk	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>03/07/2023</td> <td></td> <td>0</td> <td>Niki Shaw</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	03/07/2023		0	Niki Shaw
			Next Review Date	Last Review Date		Days Overdue	Risk Owner						
03/07/2023		0	Niki Shaw										
<table border="1"> <tr> <td style="background-color: yellow; text-align: center;">12</td> <td style="background-color: yellow; text-align: center;">9</td> </tr> <tr> <td>Impact 4</td> <td>Impact 3</td> </tr> <tr> <td>Likelihood 3</td> <td>Likelihood 3</td> </tr> </table>	12	9	Impact 4	Impact 3	Likelihood 3	Likelihood 3							
12	9												
Impact 4	Impact 3												
Likelihood 3	Likelihood 3												

Risk Review Update

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	Days Overdue	Review Date	Control Owner
ORG0071/001 Projected savings to be guaranteed using a 100% contingent commercial fee model		Existing (Proactive)				Niki Shaw
ORG0071/002 Ensure rigorous approach in place to support tracking of benefits and financial impact		In Progress (Reactive)		0	09/07/2023	Niki Shaw
ORG0071/003 Ensure programme sufficiently resourced to deliver the full target benefits value		In Progress (Reactive)		0	09/07/2023	Niki Shaw

Strategic Risks - SC(Executive Directors)

Details	Details 2	Details 3	Current Risk Assessment	Controlled Risk Assessment									
ORG0072 EMERGING: Equalities Compliance			0 Impact Likelihood	0 Impact Likelihood	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>17/07/2023</td> <td></td> <td>0</td> <td>Chris Squire</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	17/07/2023		0	Chris Squire
Next Review Date	Last Review Date	Days Overdue	Risk Owner										
17/07/2023		0	Chris Squire										

Risk Review Update

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	% Complete	Days Overdue	Review Date	Control Owner

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Strategic Risks - SC(Executive Directors)

Details	cause	Consequence	Current Risk Assessment	Controlled Risk Assessment									
ORG0073 EMERGING: Unauthorised encampments. Impact of the lack of suitable accommodation for Gypsy and Travellers, causing increased unauthorised encampments		increasing costs for the council	0 Impact Likelihood	0 Impact Likelihood	<table border="1"> <thead> <tr> <th>Next Review Date</th> <th>Last Review Date</th> <th>Days Overdue</th> <th>Risk Owner</th> </tr> </thead> <tbody> <tr> <td>14/07/2023</td> <td></td> <td>0</td> <td>Sarah Dowden</td> </tr> </tbody> </table>	Next Review Date	Last Review Date	Days Overdue	Risk Owner	14/07/2023		0	Sarah Dowden
Next Review Date	Last Review Date	Days Overdue	Risk Owner										
14/07/2023		0	Sarah Dowden										

Risk Review Update

Control Measure	Control Review Update	Status	Cost to Date Est. Cost	% Complete	Days Overdue	Review Date	Control Owner

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Somerset Council Strategic Risk

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This report is a summary of the Strategic risks, it contains details of

- 7 Continuing strategic risks
- 6 New strategic risks
- 4 Emerging strategic risks

Date: 20/06/2023

Authors:

**Pam Pursley, Corporate Risk
Manager**

**Angela Farmer, Equalities &
Risk Manager**

Continuing strategic risks

Risk Reference	Description	Owner	Current score
ORG0009	Safeguarding Children: We fail to deliver our statutory service delivery duties and legal obligations in relation to vulnerable children.	Claire Winter	3x5(15)
ORG0057	Financial stability of the new council; Sustainable MTFP: The forecast costs of services in the form of the 2023/24 Somerset Council budget must match the financial resources available	Jason Vaughan	4x5(20)
ORG0053	Organisational Resilience: Without the minimum level of capacity and resource, the resilience of the organisation is compromised.	Duncan Sharkey / Chris Squire	4x5(20)
ORG0056	Supply Chain: Potential for significant supplier disruption across all services but greatest risk to demand and sustainability of funding in the care provision sector, transport services and Waste.	Mickey Green	4x4(16)
ORG0060	ASC fails to meet statutory obligations under the care act in relation to Care Provider market sufficiency and capacity	Mel Lock / Niki Shaw	3x4(12)
ORG0061	Climate Change: SC is unable to take sufficient urgent action to mitigate and adapt to the current and future impacts of climate change.	Mickey Green / Kirsty Larkins	4x4(16)
ORG0062	Health and safety management, strategic planning and direction is not embedded across the Council, including Maintained Schools, resulting in a fragmented management system with increased risk to staff, contractors, and members of the public.	Alyn Jones / Chris Squire	4x4(16)

New Strategic Risks

Risk Reference	Description	Owner	Current score
ORG0063	NEW. Commercial Investments - raising interests rates increased borrowing and debt. Inability to achieve forecast income in the MTFP/dividend. Market factors, valuations control around properties, diversity of portfolio, geographical area of investments	Jason Vaughan	4x5(20)
ORG0065	NEW. Inability to recruiting and retaining staff	Alyn Jones / Chris Squire	4x5(20)
ORG0066	NEW. The continued risk of financial instability within the VCFSE sector exacerbated by the financial pressure on Somerset Council and the requirements to make savings, lessening opportunity to make long term funding commitments	Alyn Jones	3x4(12)
ORG0068	NEW. Increase in Fraudulent activity, including; unauthorised release of, amendment to, use of, loss of, and/or loss of access to, corporate/confidential information stored electronically.	Jason Vaughan	5x4(20)
ORG0070	NEW. Budget Overspend in current year (2023/24)	Jason Vaughan	4x5(20)
ORG0071	NEW. Risk that the Adults Social Care Transformation programme does not achieve its financial targets	Mel Lock / Niki Shaw	3x4(12)

Emerging Strategic Risks

Risk Reference	Description	Owner	Current score
ORG0064	Housing	Chris Hall / Chris Brown	Being assessed
ORG0067	Costal protection & waterborne risks	Mickey Green / Kirsty Larkins	Being assessed
ORG0072	Equalities Compliance	Alyn jones / Chris Squire	Being assessed
ORG0073	Unauthorised Gypsy and Travellers encampments	Chris Hall / Sarah Dowden	Being assessed

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Work continues with Service Directors on the completion of these emerging records.

Risk Management Workplan - June 2023 to March 2024

Strategic and service risks				
Action	Detail	Completion Date	Owner	Update
Creation of the Strategic risks for Somerset Council	1. Review and revised the former SCC and district risk to bring forward a revised, draft list of Strategic risks	30/6/23	PP/AF	10/6 - Draft register in place
Confirmation of the Strategic risks for Somerset Council	1. Seek agreement to the Strategic risks for the Council through CLT and Audit Committee	30/6/23	PP/AF	CLT via email 15 June Audit Committee - 29 th June
Develop programme for ongoing monitoring and review of Strategic risks	1. CLT to determine how often they wish to monitor SR 2. Report to Audit Committee at least quarterly with update 3. Regular meetings with SWAP to identify any further potential SR through their Audits	31/7/2023	PP/AF	Via email 15 June AC - 29 th June Every 4-6 weeks
Creation of the Service Risk Registers for Somerset Council	1. Overview of current service risks for each directorate register for determination of relevance for the new Council	30/9/23	PP/AF	Working with Service Directors - initial meetings being held
Develop programme for	1. To advise that risks be part of the	30/9/2023	PP/AF	Attend SD meetings

ongoing monitoring and review of Service risks	<p>agenda on Service Directors management meetings</p> <p>2. Regular meetings with SWAP, identify further potential service risks or areas of concern through their Audits</p> <p>3. Improve monthly Directors Risk Awareness Report (RAR)</p>			<p>Monthly/quarterly meetings with individual Service Directors</p> <p>Every 4 -6 week</p> <p>3. to commence once service risks are agreed</p>
Develop an understanding of the major projects risks that the Council is facing and ensure that they are reflected in JCAD	<p>1. ASC transformation programme, Hinkley C, etc.</p> <p>2. Other projects to be identified, working with Benefits Realisation & SWAP as needed</p>	31/12/23	PP/AF	<p>1. ASC – Anna Littlewood/Niki Shaw</p> <p>Hinkley C – Joanna Whitehead / Paul Hickson</p>
Determine the Risk Management system that Somerset Council will use moving forward	<p>1. Identified the options available – in-house developed App, current commercial systems on the market - seek demonstrations.</p>	30/9/23	PP/AF/CG	<p>1. JCAD Core upgrade to v5.1</p> <p>2. PROTECHT</p> <p>3. Pentena (currently legacy from SDC)</p> <p>4. SC inhouse app</p>
	<p>2. Develop an approach to determine best system for Somerset Council including scoring matrix, assessment panel and route for agreement for a new system.</p>	30/11/23		<p>Scoring system</p> <p>Officer / member panel</p>
	<p>3. Outcome- determine what further work is needed – notice to JCAD Core, transfer of risks, rollout of the system</p>	2024		

	and training			
Creation of risk appetite for Somerset Council	<ol style="list-style-type: none"> 1. Determine approach to be taken 2. Work with Service Directors 3. Draft appetite document 4. Seek sign off – CLT 5. Audit, Executive 	By 31/03/2024	PP/AF	
Update and revise Risk Management Framework	<ol style="list-style-type: none"> 1. Update Opportunity Framework as part of this (already written) 	31/3/2024	PP/AF	Opportunity framework already in draft format – needs review following Vesting day
Work with the service planning process to ensure risks is an integral part of service planning	<ol style="list-style-type: none"> 1. Ensure risks are part of the service planning process and that they reflect the current & new risks in JCAD for the service 	31/12/23	PP/AF	Contact made with Nicola Miles to understand what is happening re service planning template
Develop an Assurance framework for risks	<ol style="list-style-type: none"> 1. Use work from August 2020 and update as required. 2. Work with Service Directors 	31/3/2024	PP/AF	
Develop a dashboard for CLT reporting totality of risks of the Council	<ol style="list-style-type: none"> 1. Talk with Nicola Miles re: corporate dashboard will include – does it include risk? 2. Attendance at the Performance, Budget & Risk Board 	31/09/2023	PP/AF	Scope meeting 15 June
Develop links with Benefits realisation	<ol style="list-style-type: none"> 1. Links through JCAD 2. Identify any risks through this 	31/3/24	PP/AF/NA	Meeting 23 rd June

Fraud Risks				
Action	Detail	Date	Owner	Update
Creation of a Fraud Risk Register for Somerset Council	<ol style="list-style-type: none"> 1. Taking into consideration the baseline assessments by SWAP of the former 5 Councils – come up with averages scores for common areas for fraud 2. Develop a draft register 	30/6/23	PP/AF	Work has started and an assessment created to develop the average scores for common areas of fraud
Determination of how the register is taken forward	<ol style="list-style-type: none"> 1. Determine who will agree the register. 2. Who will own the register & maintain it? 3. Creation of the register in JCAD 			
Determination of how this will be monitored moving forward	<ol style="list-style-type: none"> 1. Work with CG/KH to understand the approach Somerset Council will be taking to Fraud and from this where risk will sit and therefore be monitored 			Revised baseline assessment possibly Q1 23/24, more likely Q2 23/24



Draft Annual Governance Statement

Lead Officer: Jason Vaughan, Executive Director – Resources & Corporate Services

Author: Jason Vaughan

Contact Details: jason.vaughan@somerset.gov.uk

Summary / Background

1. The Accounts and Audit (Amendment) (England) Regulations 2015 require Councils to produce an Annual Governance Statement to sit alongside the annual Statement of Accounts. Its purpose is to provide assurance that the Council has a sound governance framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.
2. Councils are required to carry out, at least annually, a review of effectiveness of its governance framework. This review of internal controls provides additional assurance that the Statement of Accounts gives a true and fair view of the Council's financial position at the reporting date and its financial performance during the year. Good governance, as evidenced in the Annual Governance Statement, is an essential pre-requisite to any organisation pursuing its vision effectively and underpins that vision with effective control mechanisms and risk management.
3. To ensure that all local authorities carry out this process in the same way and to the same standards, there has been specific guidance since 2016 from CIPFA / SOLACE in "Delivering Good Governance in Local Government" and through extensive guidance notes.
4. The Audit Committee has the responsibility for the approval of Statement of Accounts for the 5 predecessor councils including the Annual Governance Statements.

Recommendations

5. That the Audit Committee reviews the draft Annual Governance Statements from the 5 councils and that any comments are incorporate into the final

version which will be considered alongside the Statement of Account for 2022/23.

Reasons for recommendations

- 6. To enable the Audit Committee to review and provide comments on the draft Annual Governance Statement from the 5 councils which will then be included within the final Annual Governance Statement for each Council.

Other options considered

- 7. None as it's a legal requirement to have an Annual Governance Statement.

Links to Council Plan and Medium-Term Financial Plan

- 8. Links to the Principles set out in the Corporate Plan of 'A responsible council that acts with integrity'.

Financial and Risk Implications

- 9. None directly from this report.
- 10. Detail the key risk(s) to the Council and how these will be managed. Where relevant reference the identified risk(s) to a specific risk(s) in JCAD or in the Corporate Risk Register. Please set out a current risk score and then a projected risk score in the boxes below as a result of the proposed decision using the Councils RAG matrix and guidance from the Risk Management Policy (for further help please liaise with Pam Pursley – Risk Manager)

Likelihood		Impact		Risk Score	
-------------------	--	---------------	--	-------------------	--

Legal Implications

- 11. None directly from this report.

HR Implications

- 12. None directly from this report.

Other Implications:

Equalities Implications

13. None directly from this report.

Community Safety Implications

14. None directly from this report.

Climate Change and Sustainability Implications

15. None directly from this report.

Health and Safety Implications

16. None directly from this report.

Health and Wellbeing Implications

17. None directly from this report.

Social Value

18. None directly from this report.

Scrutiny comments / recommendations:

19. None directly from this report.

Background

20. The Audit Committee has the responsibility for the approval of Annual Statement of Accounts, which incorporates the Annual Governance Statement, for the 5 predecessor councils. Once the external auditors have completed out their independent review of the draft Statement of Accounts, they will be brought to the Audit Committee for approval with the final Annual Governance Statements.

Background Papers

21. The background papers used in producing this are: -

- Delivering Good Governance in Local Government: a framework (CIPFA/SOLACE)
- The Role of the Chief Financial Officer in Local Government (CIPFA)
- 2021/22 Annual Governance Statements
- CIPFA FM Code
- Council's Constitution & Scheme of Delegation

Appendices

- Appendix 1 – Mendip DC – 2022/23 Annual Governance Statement
- Appendix 2 – Sedgemoor DC – 2022/23 Annual Governance Statement
- Appendix 3 - Somerset West & Taunton – 2022/23 Annual Governance Statement
- Appendix 4 – South Somerset DC – 2022/23 Annual Governance Statement
- Appendix 5 - Somerset County Council – 2022/23 Annual Governance Statement

Mendip District Council

Draft -Annual Governance Statement 2022/23

The undersigned are satisfied that the assessment is accurate and indicates that appropriate governance arrangements are in place at Mendip District Council. We will ensure that steps to address matters raised in the assessment to further enhance our governance arrangements will be taken over the coming year.

Signed:Date:

Chief Executive on behalf of Mendip District Council

Signed:Date:

Chair of Audit Committee on behalf of Mendip District Council

Version Control

Version 1	28/02/2023	Draft version to Audit Committee 6 March 2023
Version 2		
Version 3		

N.B Final version to be approved post Year end by the new Somerset Council /Audit Committee

1. Introduction to Governance

1.1. The governance framework comprises the systems, processes, culture, and values by which the authority is directed and controlled. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The governance framework has been in place at Mendip District Council for the year ended 31st March 2023

1.2. and up to the date of approval of the Statement of Accounts.

1.3. As a public body Mendip District Council is responsible for providing services to approximately 116,100 residents, thousands of varied businesses, and hundreds of thousands of visitors per year. Therefore, the Council needs to have a strong governance framework that ensures that:

- Its business is conducted to the highest standards.
- Resources are directed in accordance with agreed policy and according to priorities whilst having regard to economy, efficiency and effectiveness.
- There is sound and inclusive decision making, conducted in accordance with the law and proper standards.
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- Public money is safeguarded and properly accounted for.
- Continuous improvement is achieved in the way in which its functions are exercised.

1.4. The Council's Corporate Plan sets out the priority areas for Mendip District Council and is reviewed regularly to ensure the strategic objectives meet the needs of the community. The Authority through the activities for which it is accountable for engages with and leads the community. Our residents and businesses are central to everything we do, and we are committed to improving the health and wellbeing of our communities. In February of 2020 the Council published its new three-year Corporate Plan with the intention to build a fairer, greener, and more vibrant Mendip that values our distinctive towns and rural communities.

1.5. Mendip District Council is responsible for ensuring that its business is conducted in accordance with the law, regulations and proper standards, and that public money is safeguarded from waste, extravagance, or misappropriation. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness in the exercise of its responsibilities.

As part of ensuring the highest standards are set and maintained, the Council regularly reviews its governance arrangements. This statement reflects how Mendip District Council has met those standards in 2021/22 and the ongoing actions it is taking to maintain and improve its governance arrangements.

2. The Annual Governance Statement

- 2.1. The Council is required by Accounts and Audit (England) regulations 2015 regulation 6(1) (b), as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2021/22. This will be signed by the Council's Chief Executive and Chair of Audit Committee, after final approval by the Audit Committee. The AGS will form part of the Annual Statement of Accounts for 2022/23.
- 2.2. The AGS is drafted by those who have lead roles in corporate governance. The evidence for the AGS comes from a variety of sources, including service plans, relevant lead Officers within the organisation, internal and external auditors, and inspection agencies. The governance of the Council will continue to be monitored by Cabinet, other Councillor Committees, and the Council's Senior Leadership Team.
- 2.3. The AGS is primarily retrospective in respect of the 2022/23 financial year. It reports on the assurance framework and measures in place for the previous financial year but must take account of any significant issues of governance up to the date of publication of the Statement of Accounts. The AGS should outline the actions taken or proposed to address any significant governance issues identified.
- 2.4. Evidence of how the Council has assessed itself in line with the seven core principles of good governance set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its publication 'Delivering good governance', listed below, is detailed in Sections 6 -12.
- 2.5. The AGS also requires the Council to identify any significant internal control issues affecting the Council during the relevant period. CIPFA guidance suggests that an internal control issue is to be regarded as significant if the issue has:
- Seriously prejudiced or prevented achievement of a principal objective.
 - Resulted in a need to seek additional funding to allow it to be resolved or has resulted in significant diversion of resources from another aspect of the business.
 - Led to a material impact on the accounts.
 - Required the Audit Committee, or equivalent, to be advised.
 - Been reported by the Head of Internal Audit in the annual opinion on the internal control environment.
 - Has attracted significant public interest or has seriously damaged the reputation of the organisation.
 - Resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
- 2.6. The Council's internal auditors have given an overall audit opinion of **tba** for 2022/23.

3. Governance responsibility

- 3.1. Elected Members are collectively responsible for the governance of the Council. Full Council's responsibilities include:

- Agreeing the Council's constitution, comprising the key governance documents, including the executive arrangements, and making any necessary changes to ensure that the Constitution remains fit for purpose and reflects legislation and best practice.
- Agreeing the budget and policy framework, including key strategies.
- Appointing the head of paid service.
- Appointing Members to Committees responsible for scrutiny functions, audit, standards, and regulatory matters.

3.2. The decision making structure of the Council is available (here) 1.

3.3. The Council operates a leader and cabinet executive model in accordance with the Localism Act 2011. Under these arrangements the Cabinet carries out all the Council's functions which are not the responsibility of any other part of the Council. Cabinet meets monthly and its decisions in 2022/23 can be found on the Council website (here) 2.

3.4. The Cabinet is held to account by Scrutiny Board whose function is to review and/or scrutinise decisions made; or actions taken in connection with the discharge of the Council's functions; and assist with policy development.

3.5. Cabinet recognised that transformational success will be driven by a strong, empowered, flexible and timely governance structure. As a result, it formed a new Board in 2016/17, named Phoenix Sponsorship Board. In 2020/21 the work of this Board was refocussed in order to provide the Council with support and assurance on the effective delivery of the enterprise and commercial investment agenda. Thus, at a strategic level, the Phoenix Board was shaping and driving the Council's Investment Programme ensuring it is delivered effectively and efficiently, and that it meets the financial and corporate objectives of the Council. Going forward Somerset Council will provide the strategic direction and will own and be responsible for all district commercial properties.

¹ [Constitution Section 01 - Introduction and Summary](#)

² <https://www.mendip.gov.uk/cabinet>

4. Internal Control

4.1. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise the risks to the achievement of the Council's policies, aims and objectives.
- Evaluate the likelihood of those risks being realised and the impact should they be realised.
- Manage the risks efficiently, effectively, and economically.

4.2. The process that has been applied to maintaining and reviewing the effectiveness of the governance framework includes:

- The Monitoring Officer has a duty to monitor and review the operation of the constitution to ensure its aims and principles are adequate. The Council reviews the constitution annually, with the Standards Committee having an ongoing oversight role.
- The Council's Section 151 Officer (S151 Officer) has confirmed the Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- The Council has a Scrutiny Board that can call in any decision made by Cabinet before implementation. This enables them to consider whether the decision is appropriate.
- The Audit Committee reviews the Annual Statement of Accounts, the review of the Effectiveness of Internal Audit and the Annual Governance Statement. It has a call-in role for any service that receives a "limited" or "no assurance" audit opinion and monitors the action plans to ensure they are completed. It monitors the performance of internal audit at each meeting and agrees the annual internal and external audit plans.
- Internal Audit, delivered for the authority through the South West Audit Partnership Ltd (SWAP), is responsible for monitoring the quality and effectiveness of systems of internal control. The Audit service has a Charter approved by the Audit Committee and there are no restrictions on the scope of their work. A risk model is used to formulate the plan, which is then approved by the Corporate Management Team. The reporting process for internal audit requires a report of each audit to be submitted to the relevant Head of Service or Senior Managers, with copies to S151 Officer and the Monitoring Officer.

5. Review of effectiveness of the governance framework

The Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the council who have responsibility for the development and maintenance of the governance environment, the SWAP Internal audit manager's annual report, and by comments made by the external auditors and other review agencies and inspectorates. The use of Audit reports by the Council is discussed in more detail in section 13.

5.1. Leadership of governance and internal control

Responsibility for governance and internal control lies with the Chief Executive and the Strategic Leadership Team (SLT) which meet on a bi-weekly basis to steer the organisation's activity. SLT receive a regular suite of assurance reports from several sources, including the Internal and external Audit reports, Corporate Risk Register, and the Corporate Performance Report, which allows the Council to track performance towards its agreed objectives. Every other week SLT combine with the Heads of Service as Corporate Management Team (CMT). Once per year SLT review the progress in addressing the significant governance challenges which have been identified.

The following highlights our review of our governance framework and sets out the assurances of Committees, Officers, and external organisations.

5.2. Review of Objectives

The Council's current strategic objectives are contained in the Corporate Plan. A Corporate Performance Report based on the key commitments /priorities of the Corporate Plan, is produced quarterly and progress against milestones is recorded and a RAG (Red, Amber and Green) indicator is used to demonstrate progress and direction of travel based on a combination of qualitative and quantitative data.

From the **Q3** Corporate Delivery plan at present there are a total of 14 remaining priority actions. This number may change during the lifetime of the plan as actions are achieved. The status of these actions at the end of Q3 2022/2023 is as follows;

- 12 (86%) are green
- 1 (7%) are amber
- 1 (7%) are red
- 0 (0%) are not yet due to start

This report provides a summary of the Council's Corporate Performance for 2022/23, providing status updates for the Corporate Plan actions and projects that are currently live. Several strategic actions are monitored against each priority. The performance report is based on strategic actions as identified in the corporate plan, along with a basket of service-related key performance indicators. The Corporate Performance report is subject to a rigorous approval process, whereby it is checked by Corporate Management Team as data owners and signed off by the appropriate Portfolio Holder. The report is then considered by Scrutiny Board with any comments or recommendations made by the Board incorporated into the report when it is subsequently considered by Cabinet. On a quarterly basis, Cabinet members discuss the report. At any point, Councillors may request the

addition of any aspects of poor performance to the agenda of the next Scrutiny Board meeting.

Quarterly analysis of the performance report demonstrates that the Council is meeting the majority of key performance measures. In addition, the analysis shows a long-term, ongoing trend of improvement.

5.3. On 24 February 2020, Mendip District Council adopted the new Corporate Plan 2020-2023.

It informs the Council's decision-making, the activities, and services we offer, and how we allocate resources.

5.4. Our Aim is:

To build a fairer, greener, and more vibrant Mendip that values our distinctive towns and rural communities.

5.5. Our Corporate Priorities are to:

5.5.1. Make Mendip a fairer place

Our district has much to offer in terms of quality of life. However, we know that not everyone has the same level of opportunity and that austerity and growth inequality mean that some people experience real challenges.

The Council has a crucial role to play in ensuring that all our residents can access the services and support they are entitled to, open opportunities, lead more secure lives and be able to play a full role in the community.

5.5.2. Deliver on our climate and ecological commitment

The Council has declared a Climate Emergency and we are committed to the aim of becoming carbon neutral by 2030. Our Climate and Ecological Emergency Group (CEEG) has been set up to oversee and co-ordinate this work under a number of themes:

Behaviour Change, Built Environment, Energy, Food and Nature, Money and Investment, Transportation, Waste and Water.

5.5.3. Protect and enhance our towns and rural communities

This priority focuses on the city, towns and villages in Mendip and addressing the housing, services and infrastructure needs of the Communities who live in them. It is also about working with local people and partners to contribute to the protection and enhancement of the built and natural environment.

5.5.4. The above priorities/commitments are supported by:

4 Key Principles

Supported by 3 Core values &

Be transparent and open in our decision making	Leadership
Be an inclusive employer that invests in our workforce	Creativity
Be a relationship builder with local, regional, and national partners	Achievement
Be smart in how we manage resources	Related Values
	Integrity
	Respect
	Challenge

This year has yet again been challenging for our staff due balancing business as usual requirements with the impact of the transitional work and awaiting clarification on new structures and roles, to deliver the necessary workstreams (including a new Enterprise Resource Planning system Microsoft Dynamics) that enable us to safely and efficiently deliver on the legal requirement to become a Unitary Authority, which was announced in July 2021.

As part of the impact of LGR the Cabinet proposed a reduction in the areas of focus over the final two years of the council, recognising that in this the final year particularly there would be a rising need to redeploy staff to set up the new organisation.

5.5.5. Assessment of the robustness of corporate governance across services

Services have processes for setting objectives, in line with Corporate and service priorities, and planning to deliver them.

Officers are aware of and know how to engage with and support the Scrutiny Board Committee and working groups.

Services welcome peer challenge, internal and external review and audit, and inspections from regulatory bodies, and give thorough consideration to arising recommendations. They put in place arrangements for the implementation of actions agreed to be taken as a result, including them in relevant business plans, and there is clear oversight from elected Members on the conclusions and resultant actions.

The Council strives for continued improvement of governance and communication of workforce policy and associated guidance, so that it is clear, easily accessible, and monitors that policies are consistently followed across services.

The Council has continued its approach of asking budget holders /Managers to forecast whether they are on track to deliver year-end outcomes. For each target or action that is 'below target', the owner must provide an action to get back on track or an explanation as to why the target may need review. The Council has a standard process for monitoring the performance of key contractors, whose performance is scrutinised and as part of this process they are regularly invited to attend the Scrutiny Board.

The consequence of all the approaches listed above is that the Council has a strong focus on delivering priorities, managing performance against targets, and progressing actions.

The review process, applied in respect of maintaining and reviewing the effectiveness of the system of internal control, is informed by:

5.5.6. Internal Audit Reviews

The views of SWAP Internal Audit are regularly reported to Audit Committee via the 'Internal Audit quarterly progress update Report' which include executive summaries of new reports published where critical weaknesses or unacceptably high levels of risk were identified. In addition, where appropriate, the relevant Head of Service is required to attend a meeting to update the Committee regarding progress and to detail any necessary actions.

5.5.7. External Auditor's Review of the Effectiveness of Governance Arrangements

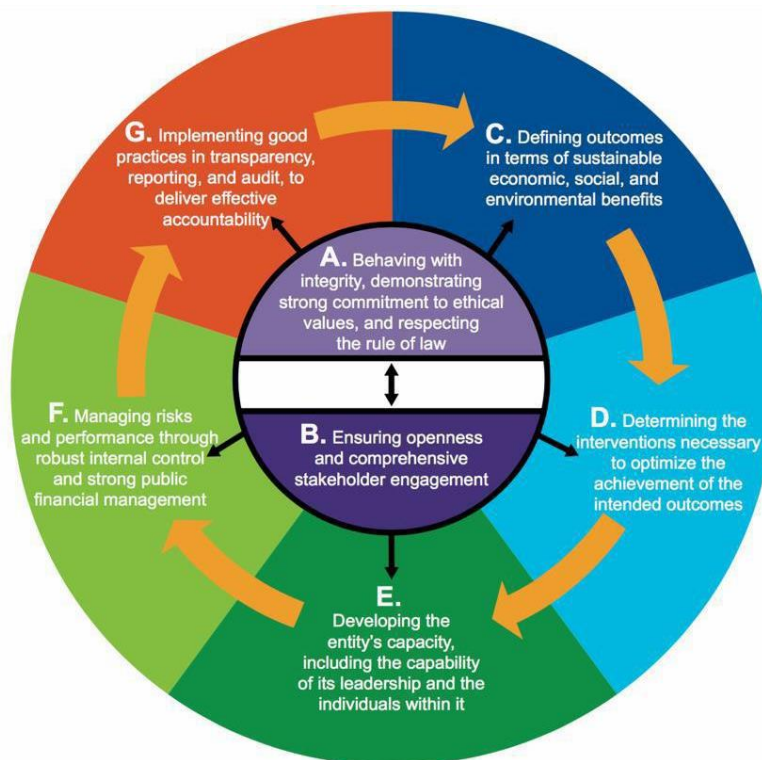
Ernst & Young LLP are the Council's External Auditors. The Auditors carry out auditing of the Council's activities in accordance with the National Audit Office (NAO) Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. Their key responsibilities are to:

- Give an opinion on the Council's financial statements and assess the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources (the value for money conclusion).
- Produce an Annual Audit Letter which summarises the key areas highlighted by the work they have carried out.

After conducting this review, the Council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance-TBC.

6. Mendip District Council's Annual Governance Statement 2022/23

6.1. The diagram from the International Framework, below illustrates how the various principles for good governance in the public sector relate to each other. Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity should be committed to improving governance on a continuing basis through a process of evaluation and review.



6.2. The following sections set out how Mendip District Council delivers good governance, how it performed in that role in 2022/23 and what it is doing to continually improve.

A) Behaving with integrity, demonstrating strong commitment to ethical values, and representing the rule of law.

B) Ensuring Openness, Transparency and Comprehensive Stakeholder Engagement – delivering Accountability

C) Defining Outcomes in terms of Sustainable Economic, Social and Environmental Benefits

D) Determining the interventions necessary to optimise the achievement of intended outcomes

E) Developing capacity, including the capacity of the Council's leadership and the individuals within it

F) Managing risks and performance through robust internal controls and strong public financial management

G) Implementing good practises in transparency reporting and audit to deliver effective accountability

6.3. Ongoing Issues/Projects identified in 2022/23 and update prior years

7. Behaving with integrity, demonstrating strong commitment to ethical values, and representing the rule of law.

7.1. Mendip District Council's Constitution provides the framework within which the Council operates. It sets out how decisions are made and the procedures which must be followed to ensure that these are efficient, effective, transparent, and accountable. The Constitution is reviewed on an ongoing basis. This practice ensures that the Constitution remains fit for purpose and is updated for national and local changes in circumstances.

7.2. The Constitution, published on the website (Here)³, includes the Members' Code of Conduct which makes clear the obligation of elected Members in promoting and maintaining high standards of conduct and ensuring the principles of public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) are adhered to. Pecuniary and non-pecuniary interests are registered in accordance with the requirements of the Code of Conduct and the underlying legislation.

7.3. The Council also has an Officer Code of Conduct as well as guidance on the registration of interests, gifts and hospitality for both staff and members. This is also reviewed regularly by the Council's Monitoring Officer. The reports to Standards Committee regarding the registers are available for public scrutiny via the website ([here](#))⁴. The Code of Conduct for Members requires declarations at meetings to be made by Members where necessary and these declarations are recorded in the minutes of the meeting.

7.4. There is a strong culture operating in the Council of acting to the highest standards. This is rooted in the behaviours expected of Councillors and staff and upheld by the senior leaders. This culture has been underpinned by a joint staff and Councillor development plan, known as Shape our Future, and is reflected in our values.

7.5. Where any resident feels the Council has not acted properly the Council has a robust process for dealing with complaints. The quarterly Corporate Performance Reports submitted to Cabinet and Scrutiny Board Meetings report on the performance of each service in responding to feedback as well as the nature of the feedback received, the actions that have been taken and the lessons that have been learnt. In line with our corporate feedback guidance, if a resident is not satisfied with the initial

³ [Council's Constitution - Mendip District Council](#)

⁴ [Standards Committee - Mendip District Council](#)

response to their complaint, they may appeal. Should they not be satisfied with the Council's final response in relation to the complaint, they can complain to the Local Government Ombudsman.

- 7.6. As mentioned above the Council publishes and promotes a code of conduct for its staff that details what is expected of all employees. The performance coaching review scheme provides an opportunity for the manager and post holder to come together to talk about performance, competency targets and personal development. The review discussion is complemented by regular one-to-one meetings which are held throughout the year. Effective performance and continual improvement are essential parts of the Council's service delivery.
- 7.7. The Council has established recruitment policies to ensure that appointments to the Council are fair and ethical and meet the requirements of equalities legislation and takes account of the need to ensure diversity. Any applicant who has identified themselves as disabled and who meets the essential requirements of the person specification will be automatically invited to interview. This policy is part of the Council's wider Equality and Diversity Policy that ensures all appropriate decisions are taken with issues of equalities in mind. Ethical considerations will be evident in the Council's Procurement Strategy where Social and Environmental factors are a key feature.
- 7.8. As previously advised working with the Head of Law & Governance Services, a new Procurement Target Operating Model (TOM) was developed in 2021/22 with 2 procurement roles who will report to Section 151 Officer, subsequently we are now assisted by Somerset county Council.
- 7.9. The Council operates an Anti-Fraud and Corruption Policy <https://www.mendip.gov.uk/article/9800/Report-Fraud-Corruption-or-Whistleblowing-Concerns> ([here](#))⁵ which operates as part of the governance framework to ensure the Council operates within the law. The Council also has policies on Whistleblowing ([here](#))⁶, Complaints and other Human Resources Policies that are available on SharePoint to all employees.
- 7.10. The Council has appointed independent external auditors (Ernst and Young LLP) and the South West Audit Partnership Limited (SWAP) who provide an internal audit function. Ernst & Young LLP and SWAP's Annual reports and interim reports were considered during 2022/23 by the Council's Audit Committee ([here](#)). no governance concerns of significance have been raised in 2022/23.
- 7.11. The Council appoints an Independent Remuneration Panel when required to advise and make recommendations to the Council on the setting of Member allowances in accordance with the Local Authorities (Member Allowances) (England) Regulations 2003.
- 7.12. The Council has developed numerous partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. These have their own governance arrangements, including Somerset Waste Partnership, Shape Mendip, Legal Shared Service, Somerset Building Control Partnership, Five Councils Partnership (5C Partnership).

- 7.13. Statutory Officers' responsibilities are defined in the Constitution and are employed in accordance with statutory guidance. The S151 Officer leads the promotion and delivery of good financial management through attendance at Council, Cabinet and Committee meetings and organises specialist workshops/training for Officers and Members as appropriate and as part of the new Member induction programme.
- 7.14. The Monitoring Officer and S151 meet regularly with the Chief Executive and Corporate Management team to discuss any matters relevant to their statutory functions.

5 & 6 [Report Fraud, Corruption or Whistleblowing Concerns - Mendip District Council](#)

8. B) Ensuring Openness, Transparency and Comprehensive Stakeholder Engagement – delivering Accountability

- 8.1. The Constitution sets out the legal and constitutional framework for good decision making, including the principles of decision making, schemes of delegation, recording of decisions and access to information relating to decisions. All Council, Cabinet and Committee report templates include a section on legal and financial considerations. These can be seen in all decisions made.
- 8.2. The Council publishes a rolling forward plan which is updated weekly that provides details of key decisions to be made by the Council and its Committees for at least three and typically four months ahead. Also included is detail of other business to be considered during the period of the plan. This provides an open culture by demonstrating, documenting and communicating the Council's commitment to openness. Reports are written on standard templates providing clear reasoning and evidence for decisions. Both formal and informal consultation and engagement as appropriate is used to determine the best course of action.
- 8.3. The Council's scrutiny arrangements were improved in 2017/18 and now in 2022/23 consist of a Scrutiny Board which meets at least quarterly and five Scrutiny working groups which are: Policies and Strategies, Managing Contracts, Access, Climate and Ecological and Breaking the Cycle of Disadvantage. and a new one formed this year with the remit of scrutinising the approach of the Glastonbury Town Deal Project to gain assurance that the project followed the Treasury Green Book process, that individual projects within the over Town Deal met the cases and criteria of the Green Book and that the project was fit to proceed.

Most scrutiny work is done by small groups of elected Members who meet to review issues in their own areas. Interested parties including consultants and contractors are often invited to contribute to this work. Each working group then produces a report presenting their findings to the quarterly scrutiny board. The Scrutiny Board produces a report for Full Council in May each year and makes recommendations to Cabinet and others as necessary on how the issue or service could be improved.

- 8.4. These arrangements serve to hold the Cabinet, its Committees, individual Cabinet Members and Officers to public account for their executive policies, decisions and actions and serves to make sure that decisions are taken based on sound evidence and are in the best interests of the people of Mendip.

- 8.5. In 2022/23 Scrutiny considered a wide range of subjects and the latest Forward Plan can be found within the latest meeting papers on the website ([here](#))⁷. In addition, see Section.11.10 for more detail rework of scrutiny in year.
- 8.6. The Council consults appropriately in line with its consultation policy and legal requirements in order to inform its decision making. During the year the Council carried out several public consultations whose feedback was reported to Cabinet as part of informing their decision making.

8.7 Consultations

In respect of public consultations, a consultation exercise was undertaken with all partner agencies who are members of the current District Council Safety Advisory Groups (SAG) and new Terms of Reference draw up for the new Somerset Council SAG. This exercise has informed how the new SAG will operate and has ensured stakeholders have contributed to and are engaged with the SAG process and that advice and guidance will continue to be offered to Event Organisers across the County

The Council attended all Police managed Community Trigger panels involving engagement with applicant and key stakeholders to define agreed action plans and assure appropriate accountability by all attending.

In Year there were further consultations in respect of **Glastonbury Town Deal** on 24 November 22, with another planned-on 18 March 23 (a Saturday, to enable people who are busy during the week to attend).

Other projects under Glastonbury Town deal have held consultation events including Glastonbury Abbey, The Life Factory and Glastonbury Food & Regenerative Farming. Also, all these projects have public engagement strategies.

The Council actively use social and broadcast media to ensure a good reach into the community

Finally, during 2022, the HM Treasury Green Book Business Cases for Town Deal Projects were taken through MDC's Scrutiny Committee and also the full Council, as part of the local Assurance Process, with both sets of meetings and minutes being in the public domain.

There were no Mendip Local Plan consultations in 2022-23 pending preparation of a new unitary development Plan. A Joint Statement of Community Involvement was published in February 2023. Consultations were also undertaken on Supplementary Documents and work on design codes, including a greenspace SPD in Oct-Nov 2022 to support the adopted Plan.

In terms of local businesses Mendip lent support as part of county/sub-regional (i.e., LEP level) business engagements. This includes supporting and promoting the Somerset-wide business survey which was undertaken in November/December 2022 to ensure a further supply of economic intelligence as we move into the new UA.

Also, the Council is supporting and promoting Somerset Chamber's consultations with businesses as part of the wider Devon & Somerset Local Skills Improvement

Plans which are taking place this Feb/March across the 2 counties at present. The purpose is to ensure that the current and future skills need of local employers are captured and fed back to the Department for Education for future policy support.

The Council makes available a range of important information on its website including its strategic aims and ambitions as part of the Corporate Plan. Further information is available on request and through the Council's arrangements for dealing with requests under Freedom of Information (FOI) legislation. In 2021/22 there were 548 FOI requests, with responses included on the website ([here](#))⁸ monthly.

- 8.8 Under the Transparency Code the Authority publishes data such as payments to suppliers, senior Officers' salaries and structure, contracts and tenders and annual pay policy statement. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information Request and the procedure that will be followed to answer them.

The annual accounts are published ([here](#))⁹ in a timely manner and in accordance with specified timescales so that the financial position and performance of the authority is open to public scrutiny in a timely manner.

- 8.9 Committee meetings, agendas and minutes are published in accordance with the Forward Plan and publication of agendas is done in accordance with the Local Government Act 1972. Where statutory timescales are not met then the appropriate consultation takes place with the Members. The public are able to speak at Council, Cabinet and Scrutiny Committee. Public speaking is also available slots are also available at other Committee meetings, e.g., Licensing, Planning. All meetings are held in public unless exempt business is under discussion.

- 8.10 Engagement with staff happens in a number of ways; whole authority staff sessions held a minimum of once a year, services team meetings, project team meetings one-to-one meetings and weekly My Mendip newsletter. The Shape our Future development programme has also been a conduit to engage with staff, and the Staff Matters Group meet on a regular basis to consider and provide feedback and suggestions on matters of relevance to staff.

⁶ [Scrutiny Board - Mendip District Council](#)

⁷ <https://www.mendip.gov.uk/foi>

⁸ <https://www.mendip.gov.uk/article/6971/Annual-Statement-of-Accounts>

9. C) Defining Outcomes in terms of Sustainable Economic, Social and Environmental Benefits

- 9.1. Mendip District Council has a three-year Corporate Plan, adopted in February 2020. This plan has been prepared to reflect both the significant external challenges and changes that the council will have over the coming years as well as the changes to the way the council will have to operate to manage these challenges.
- 9.2. Part of the building of communities involves capital developments of buildings and other such infrastructure. The Council sets out a five-year Capital Programme as presented to Full Council in February tied into its Corporate Plan. This strategy is seen as a key strand of the future delivery of the Council's business. The Council's decision-making framework has ensured that all these decisions are reported through Cabinet and approved by Full Council.
- 9.3. Ethical considerations are evident in the Council's corporate procurement strategy along with social economic and environmental impacts. The Council is committed to achieving sustainable outcomes through skilful management of the procurement process and will endeavour to accompany this with value for money. The Council will consider the impact of its procurement by involving the community where possible and practical. Also, Mendip will investigate new ways to deliver services which will enhance the local environment and promote social inclusion.
- 9.4. The Council considers and balances the combined economic social and environmental impact of policies and plans when making decisions about service provision. It receives periodic reports on the combined economic, social, and environmental impacts of its policies.
- 9.5. The Council actively seeks development opportunities in the district which will bring economic benefit to the region in the long term, using its appointed agents to provide professional advice. As updated in Section 8.7 above during 2020/21 we were successful working with partners in securing accelerator for Glastonbury town fund and subsequently nearly a further £24m in 2021/22.

Mendip District Council worked as part of a Somerset wide project aimed at boosting the demand and supply for Somersets retrofit market. The project delivered 52 retrofit plans to homeowners on where to start improving the energy efficiency of their homes. 29 free training courses for local businesses on an introduction to retrofit work. 4 virtual open home webinars showcasing real life examples of what homeowners have done and a green directory designed a one stop shop for residents in Somerset to find local businesses near them that can carry out work.

Mendip District Council lead on a countywide project to develop a Somerset Tree Strategy. Funding was pooled from all five authorities along with a number of environmental NGOs. Over 10,000 trees were planted through a combination of Queen's Green Canopy and Treescapes funding across the district through

partnership work with Mendip Hills AONB, Somerset Wildlife Trust and Reimagining the levels.

10. D) Determining the interventions necessary to optimise the achievement of intended outcomes

- 10.1. In 2020/21 the Council refreshed its 5-year Medium Term Resource Strategy (MTRS) as part of a four-year financial settlement with the Department for Communities and Local Government (DCLG). As part of that, and in setting the 2017/18 budget, the Council has identified several key programmes of transformational activity intended to improve outcomes for its residents and to generate new income streams to replace reduced government funding under its Income Generation strategy. The pandemic has paused any further commercial investments and the move to unitary will happen in April 2023.
- 10.2. Oversight of corporate projects is undertaken by the Senior Leadership Team (SLT), supported with advice from Finance, Legal, HR teams. During 2022/23 the focus has been on delivering LGR workstreams, but majority of projects were delivered or expected to progress according to schedule.
- 10.3. Regular Financial Performance reports and updates are reported to senior Officers and Councillors, including Scrutiny Board. The Business Partners undertake monthly forecasting with Heads of Service and the resulting reports are then reviewed by the S151 Officer. Monthly updates are provided to the Senior Leadership Team with quarterly updates reported publicly through Cabinet.
- 10.4. The Council has established robust planning and control cycles that cover strategic and operational plans, priorities, and targets. The Council actively engages with internal and external stakeholders in determining how services should be delivered. Budgets are prepared in accordance with objectives, strategies and the MTRS.

The Council led in developing the Police and new Somerset Council joint working protocol on Unauthorised Encampments to ensure both agencies to encourage both police and local authority staff to use the full range of powers open to them.

The Community Safety Partnership Officer ran a familiarisation session with Avon & Somerset Constabulary officers to support them to use the Mendip One Team Virtual Meeting Room on the Professional Choices platform hosted by Somerset County Council. This enables the sharing of sensitive information in a confidential manner but to the benefit of stakeholders supporting vulnerable people in the community and assists in delivering the best outcomes possible.

11. E) Developing capacity, including the capacity of the Council's leadership and the individuals within it

11.1. In order to deliver the Council's priorities within a strong governance framework the Council requires a workforce that is appropriately skilled and qualified. Due to the shifting requirements of local government and the changing demands put on the Council, it's essential that the capacity of the Council's workforce is reviewed and updated.

11.2 Many development opportunities have been introduced with many officers given the opportunity to act up and develop skills whilst ensuring there is capacity to delivery the councils statutory services and those required as the LGR progresses, this included officer taking on LGR Lead Roles, appointing another assistance CEO, and upskilling numerous team leaders to take on some Head of Service responsibilities.

11.3 Within the Community Health Service one officer successfully completed the Office for Product Safety and Standards Regulatory Leadership programme which has been a benefit to the individual and the organisation. Another has attained the Drinking Water Inspectorate (DWI) certification of persons scheme qualification for sampling private water supplies enabling them to continue to deliver services where legislation has mandated training recently. A third is enrolled on the Level 3 Award for Animal Licensing Inspectors due to complete the course in time for the 1st of April 2023 when all inspections need to be undertaken by a qualified officer.

The Environmental and Community Protection Service developed and published a self-help pack and presentation on how to tackle trespass by unauthorised encampments for parish councils and private landowners.

Rest Centre Training and Tactical and Strategic Emergency Planning Exercises were delivered by the Somerset Civil Contingencies Unit (CCU) and attended by operational and senior staff. This was to ensure we were more prepared and had resilience in the event of incidents and emergencies in readiness for the winter period and will serve well to upskill offices as they transfer to the new Somerset Council.

During the year a cadre of staff have gained or refreshed their First Aid at Work and Fire Safety Awareness, providing support as staff returned to the office and also delivering activities within the community e.g., Market officers.

Another member of staff also gained here Mental Health Awareness training and is able to deliver accredited training and awareness sessions both internally and externally.

Training lead by the Council was provided by Stand Against Racist Incidents (SARI) for staff, others district officers and external partner agencies on recognising and how to report all forms of hate crime. Additionally, the Council

continues to attend the Somerset Hate Crime and Community Cohesion Partnership.

11.4 Induction sessions with new starters are still delivered through MS Teams on a quarterly basis. These sessions give all new starters the opportunity to meet the Council Leader and Chief Executive and hear about the Council priorities. It gives the opportunity for the new starters to ask questions to these senior leaders and meet other starters. The attendance levels are high on these compared to the sessions when they were held on site prior to COVID.

The majority of corporate training has been delivered virtually. Over the year we have delivered Equalities Induction to new starters, Equality Updates, Political Awareness, Retirement Planning, Hate Crime Awareness – we opened up this training to colleagues across Somerset. Skill and behaviour-based training such as Excel, Word, Planning and Organising was delivered virtually in small groups.

We've provided training around wellbeing and mental health through our connections with Somerset ICS.

Again, with our connections to Somerset ICS and the County Council, we've been able to provide ILM Level training both Coaching & Mentoring and Leadership & Management.

We've also provided cross council training, working with Sedgemoor District Council, we shared training on change and other topics.

Over the summer, we helped deliver Behaviour & Culture workshops as part of the LGR programme and some of our staff have signed up as Culture Navigators.

11.5 The Council looks for good practice from other areas and other authorities in order to help improve its leadership and service delivery. Following a management restructure in 2017/18, the Council has invested heavily in staff training across a range of areas included personal/executive coaching, political awareness and TMS profile workshops for both staff and politicians. Management succession planning from an Officer perspective is supported by the rolling programme known as Head of Service Assistants, and from a member perspective by the continuation of Cabinet Assistants and recently recruited Scrutiny Assistants – fixed terms roles for those interested to gain more experience at senior roles.

11.6 In 2018/19, the Council launched **Shape our Future**, a joint development programme for Officers and Members. With sessions covering a variety of topics, Shape our Future has allowed Officers and Members to share ideas and learn from each other. The programme has brought the organisation together to consider and agree what sort of council we need and want to be, to set our future values, and define how we are going to achieve our ambitions. The values, developed in consultation with staff and Members, are reflected in the Council's Corporate Plan. During 2022/23 the Council's organisational development

programme has continued, with the main emphasis being on supporting the organisation to respond to the challenges of Covid 19 and external change drivers, whilst continuing to deliver high quality services

- 11.7 The Council will continue to make use of external reviews of its practice to deliver better outcomes. The Council holds Investors in People status and is accredited as a Timewise organisation by The Timewise Foundation.
- 11.8 Training programmes for Council employees are identified from regular 1-2-1's, team meetings, performance coaching reviews, new online induction process and personal development programmes. A Training Needs Assessment is completed annually to inform the corporate training programme and ensure the most effective use of the training budget.
- 11.9 New Members to the Council receive induction training in key areas (including the Constitution, ethical governance, decision-making processes, and the Council's Code of Members' Conduct). Member training and development has taken place in the last year against the backdrop of the Covid 19 pandemic. This has meant that training has had to take place online and continues to do so. There has been an increase in Members taking up opportunities of individual learning via webinars and courses run by the LGA and other bodies. There have been more Officer briefings to assist Members in gaining the essential knowledge they need and formal training sessions by outside training companies have also been offered.

11.10 Member Development Group

The Member Development Group (MDG) comprises of Councillors: Richard Pinnock (Chair), Alison Barkshire, Adam Boyden, John Greenhalgh, Damon Hooton, and Heather Shearer.

Member training and development took place in the last year against the continued backdrop of the Covid 19 pandemic. This meant that training continued to take place virtually by means of online facilities. Members have continued to take up opportunities of individual learning via webinars and courses run by the LGA and other similar bodies. A number of officer briefings were held to assist Members in gaining the essential knowledge they need and formal training sessions by external training providers and organisations were also offered. Members will be aware that briefings have been provided in relation to the Local Government Reorganisation in Somerset.

Member Development Activity during 2022-23

Members have continued to be encouraged to identify training opportunities. They were interested in via the Local Government Association (LGA) and other similar organisations. There have been several Officer led training sessions and briefings over the course of the year. These are detailed in the table below and cover a range of matters including Domestic Abuse, Phosphates and Section 106

Agreements. In addition, Members also received a briefing from Somerset County Council's Gypsy Liaison Team.

As 2022 23 is Year 4 in the cycle it is the lightest in terms of development training for members

Training was provided to Members in year and is summarised in the table below:

Date	Development Session	Number of Attendees
28.06.22	LGA Annual Conference	2
12.07.22	Suicide Awareness	0
01.11.22	Scrutiny Board briefing about update to a Contract ahead of Cabinet meeting	7
23.11.22	Briefing to Planning Board on the Glastonbury Town Deal	8
13.12.22	Audit Training with SWAP on Fraud	
25.01.23	Local Plan II Members Briefing	26
Monthly	Somerset Re-organisation updates	

11.11 There is not a Scrutiny Board Annual Report 2022-23 as this is prepared for the May 23 Council which will not happen due to the fact we will be within the new Somerset Unitary Council.

The below summary provides an outline of the work undertaken by Scrutiny Board Members over the course of 2022-23 municipal year.

As stated last year in terms of scrutiny Board training has been progressed via the coffee session approach with being able to discuss development of the board and its focus. The Council did a piece of work to get on paper their concerns and aspirations for the Scrutiny, we then looked at the realities of what Scrutiny actually had power to do and started to pull out areas that they felt they wanted to focus on. At further meetings these thoughts were developed and looked at how they prioritised and articulated what they wanted to do. This was then fed into the Scrutiny workplan which became larger but meant that the Board felt that they had more input.

Work was also done with Scrutiny on using the forward plan effectively and how to ensure appropriate scrutiny takes place. This saw the board looking at items on the Forward Plan and assessing where appropriate scrutiny might take place by some other group (e.g., Members Equality Group looking at the Equalities Priorities and Plan) and so not require them to look at it, thus allowing them to focus on other areas. Over the 22/23 year and in

the context of the upcoming transition to a Unitary, the Scrutiny Board met 4 times; however, the May meeting was inquorate and attendance was generally low throughout the year, During this time however, members managed to cover a sizeable amount off work.

The Board reviewed the following:

- Performance of the SPARK Somerset Voluntary sector funding agreement
- Performance of the CAB partnership
- Outreach Inreach service performance
- Conclusion of Access, Breaking the Cycle of Disadvantage, Climate & Ecological, Contracts, Policies & Strategies, Glastonbury Town deal task & finish working groups
- Quarterly corporate performance reports
- Budget monitoring reports
- The Council's performance in the monitoring and regulation of 2022 Glastonbury festival
- Fusion contract
- Council's complaint process

In addition, the Board made recommendations for the proposals for the Glastonbury Public Spaces Protection Order.

11.12 Monitoring and evaluation of course come via the quarterly reporting. As an example, the new Corporate Delivery Plan the challenge to Cabinet was that they would not be able to resource delivery in light of Local Government Reform (LGR). Cabinet's response was that they recognised the demand from LGR would rise but considered the reduced plan could be met and they had budgeted for additional costs of implementation, they would however monitor the matter regularly. The quarterly performance reports now map the progress of the Delivery Plan and are scrutinised by Scrutiny, Cabinet members meet with SLT monthly to keep up to date on the impacts of LGR on delivery to be able to make adjustments where required.

In summary all staff and all Councillors are offered training and or coaching, with any agreed professional memberships reimbursed to staff.

11.13 As previously advised the Council was re-assessed in 2021 and gained the Investors in People accreditation for a further 3 years. It also gained Disability Confident Employer in 2022. This accreditation demonstrates the Council's commitment to employing and supporting a diverse workforce. The Council is sharing best practise such as the Timewise Accreditation with the Somerset District Councils and the County Council and working towards how that can support employees in the new Council. Ongoing training for Council staff for their work tasks and providing support in change and wellbeing practises.

11.14 The Council must position itself to deal with the impact of changes in national policy and legislation. Such changes could be resource hungry and to this end the Council has maintained a robust level of general balances and earmarked funds for both corporate capacity issues. These reserves along with the revenue contingency budget provide financial resilience for the organisation.

- 11.15 We continue to work with SWAP to ensure that the Council has taken the steps necessary to reduce the risk of non-compliance with the regulation.
- 11.16 Working in partnerships is increasingly important to the Council and is used as an additional method of improving and growing the skills base for delivering the Council's objectives.

12. F) Managing risks and performance through robust internal controls and strong public financial management

- 12.1. Performance management is a key component of the Council's approach to achieving its stated outcomes. Part of this process involves identifying and, where appropriate, mitigating risks, ensuring that performance and risk management processes are in place throughout the organisation with additional rigorous processes to ensure sound financial management.
- 12.2. The Council has in place a performance management framework which covers performance against corporate priority objectives and service level performance. Each corporate priority, as set out in the Corporate Plan has a number of supporting objectives which in turn translate into projects and service level actions.
- 12.3. The Council reports publicly on performance against objectives through quarterly reports to Scrutiny and Cabinet. The reports also include a number of metrics including Freedom of Information requests and HR data. There is also a summary of financial data and work is underway to align the objectives of the emerging new Corporate Strategy more closely with the MTFP. At a service level, each group has in place a business plan and regularly reports on performance against this plan to relevant Portfolio Holders. We have re-established the Corporate Risk Management Group and the vice chair of Audit Committee attends this group.
- 12.4. There are quarterly budget monitoring updates to Councillors, via Cabinet, and monthly updates highlighting any significant variances to senior Officers. Group Mangers produce monthly revised forecasts, and any issues are highlighted on the corporate summary. Any identified potential under or overspends, were flagged and appropriate action was taken where required. This year effective management meant as a result of underspending a surplus of TBC was delivered by year end. The issues relating to the Council's longer-term financial position are recorded in the Corporate Risk Register.
- 12.5. The Council also undertook robust scrutiny of the 2022/23 budget, and this was set at Full Council in February 2022.
- 12.6. Managing risks is the responsibility of the whole organisation. Risk management is the process of identifying significant risks to the achievement of the Council's strategic and operational objectives, evaluating their potential consequences, and implementing the most effective way of mitigating them. The aim is to reduce the frequency of risk events occurring (where possible) and minimise the severity of their consequences if they do occur. It is also about considering opportunities (positive risks) as well as negative risks (threats) and using these to assist innovation in Council services. High level risks are included on the Strategic Risk Register with the register reviewed on a quarterly basis by Group Managers, the Senior Leadership team, and the Corporate Governance Group ahead of the Audit Committee.
- 12.7. Whereas the management of lower-level risks are recorded and monitored by services at various levels in the organisation, including by the Group Managers.

- 12.8. Each service area and project hold its own risk register which define the risks related to their service areas and assign individuals to be responsible for their management. All services risks are scored on the same basis of likelihood and impact and high scoring service risks are escalated, through a set policy, to Corporate Management Team for consideration of whether they should be included on the Strategic risk register.
- 12.9. Service risks that are high scoring or appear on, or are referenced on, the strategic risk register require a greater focus on mitigating action planning with those actions assigned a time scale and an owner. The Council recognises that in order to seize opportunities and make successful changes some risk is inevitable and must be effectively managed.
- 12.10. There were no new risks in 2022-23 and two risks were closed: SR 42 and SR60

Open Risks

- SR52: **A failure by the Council, working in conjunction with its partners, to provide an adequate local response** to civil emergencies such as Grenfell and pandemics could impact public safety and service provision, as well as having legislative and reputational implications.
- SR53: **Failure of a contractor within our main business services to deliver all their contractual obligations or cease to trade** leading to the Council being unable to secure or deliver ongoing provision of key frontline services, potentially impacting on more vulnerable customers and the council's reputation.
- SR36: **Long term financial planning** - Failure to deliver a balanced budget and sustainable long-term financial plan will put at risk future public service delivery to the residents of the Mendip District. While this would affect all residents, it will have the biggest impact on the vulnerable.
- SR59: **As a result of a lack of resource, technical knowledge, adequate cyber security measures and training and awareness for staff and members, the council is unable to detect and protect from threats to internet connected systems which could include hardware, software and data from cyber-attacks.** This could lead to unauthorised access to personal data and disrupt service delivery leading to financial loss, service disruption, data breaches and/or damage to the reputation of the organisation.
- SR41: **Due to external factors, including local government reorganisation and transition, the Council is unable to retain, sustain or recruit the appropriate skilled resource,**

professional expertise, and sufficient staff capacity. This would result in a negative impact on service delivery, and the ability to deliver priority outcomes.

SR50: **Inability to plan and deliver strategically and operationally** due to rapidly changing national political legislative, economic, and fiscal uncertainties and drivers leading to failed delivery of business plans and corporate priorities.

SR61: Due to a range of external factors, including a lack of government policies & different timescales for achieving net zero (2050 nationally vs 2030 locally), as well as limitations in the scope of influence of Council activity on the wider climate and ecological emergency, **the council is unable to meet its commitment to net zero carbon emissions by 2030.** This would result in an increase in negative climate and ecological effects across the district.

Closed Risks in 2022/2023:

SR60: A failure to deliver waste collection services to our customers due to waste contractor Suez ability to meet contractual arrangements, such as HGV resource and recruitment, resulting in reduction in waste collections (refuse, recycling, and garden) across the district and causing reputational damage.

SR42: Due to failure to implement and mainstream good Information Governance (IG) across the organisation, as well as with elected members, key partners and third-party suppliers, there is an increased risk of breaches in data protection and other critical information management issues, which can lead to investigation by the Information Commissioner Office, fines, and significant reputational damage. This includes significant changes to data protection legislation under the GDPR, which came into effect in May 2018.

It should be noted that Local Government Reform LGR means Mendip risks will be migrated to the new Somerset Council risk register where they will be added or amalgamated with other Councils risks. There is a separate risk register for the LGR Programme.

12.11. The MTFP is reviewed and updated on a regular basis to ensure the S151 Officer, Senior Leadership Team and Members are aware of the financial standing of the authority in terms of delivering against cost reduction or revenue raising targets. Performance against budget is reported to Cabinet on a quarterly basis with monthly updates on issues and any significant variances explained.

12.12. Risks are identified when undertaking Internal Audit reviews and reported when necessary. A risk-based Audit Plan is drafted annually following consultation with

Officers, Members, and the S151 Officer. The Audit Plan is approved at Audit Committee prior to the financial year.

12.13. Organisational performance against the authority's corporate strategy objectives is reviewed by the Senior Leadership Team and by the Scrutiny Board on a quarterly basis and reported to Cabinet.

13. Implementing good practises in transparency reporting and audit to deliver effective accountability

13.1. A Forward Plan is prepared giving details of all the Key Decisions likely to be taken by the Cabinet or other decision-making body's over at least the next four months, and where reasonably practicable, over a period of twelve months. This will be updated on a monthly basis, with a new Forward Plan being produced at least 14 days before the start of the period which it covers. The current plan will be included as an agenda item for information at each meeting of Cabinet.

13.2. Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 defines a key decision as an executive decision which is likely:

to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant having regard to the relevant local authority's budget for the service or function to which the decision relates;

Or

be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.

13.3. The Council has decided that the relevant threshold at or above which the decision is significant will be £100,000 for capital / revenue expenditure or savings.

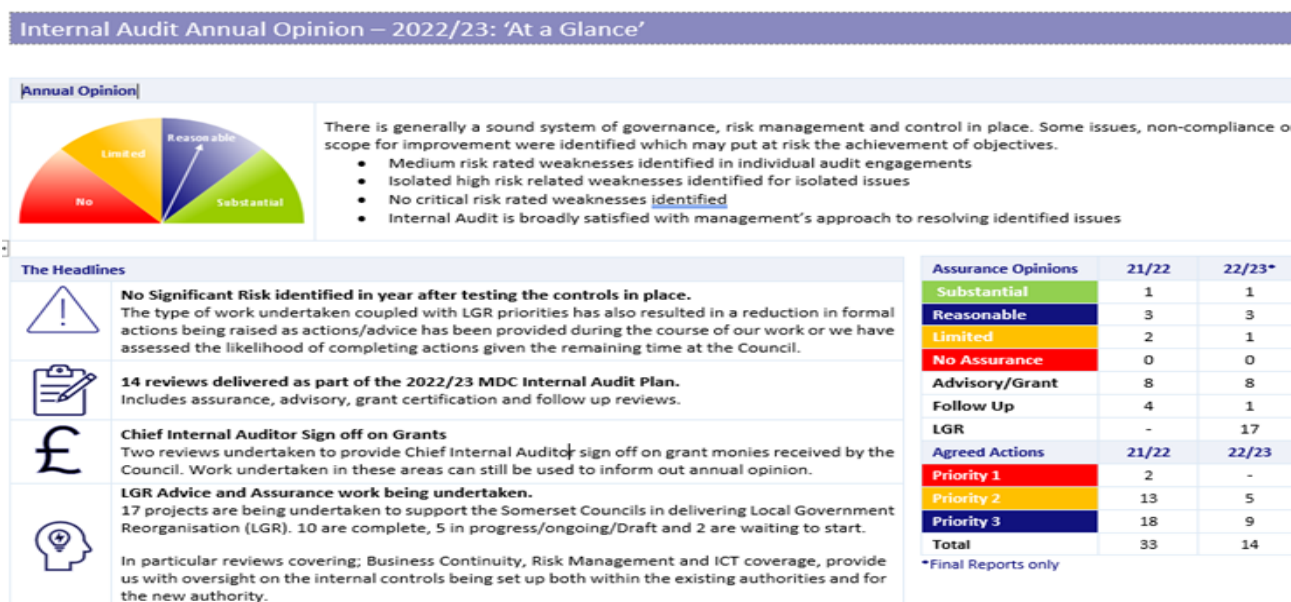
13.4. The Council aims to ensure that its decision-making reports are written, presented and communicated to the public and other stakeholders in a fair, balanced and easily comprehensible style, appropriate to the intended audience. This includes providing the required level of detail and information to ensure transparency and to enhance public scrutiny

13.5. Performance and financial information are prepared in a consistent and timely basis and the statements allow for comparison with other similar organisations.

13.6. The Council's S151 Officer or Chief Finance Officer has a statutory duty to ensure that the Council has a strong financial control environment, including an effective and independent Internal Audit function. The MTFP is reviewed and updated on regular basis to ensure the S151 Officer, Senior Leadership Team and Members are aware of the financial standing of the authority in terms of delivering against cost reduction or revenue raising targets. Performance against budget is reported to Cabinet and any significant variances explained. In 2022/23 an internal audit schedule that focussed on areas of risks identified by services along with those identified by SWAP themselves using its wider partnership connections was agreed. Audit findings, including any

significant risks, along with the agreed management action were reported to Audit Committee who in turn ensure recommendations are acted upon. Internal Audit recommendations are followed-up and reported to Audit Committee, further follow-up is planned if recommendations haven't been actioned in full. Audit reports once completed are discussed with the S151 Officer and service manager as appropriate. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit Committee, on a quarterly basis.

13.7. For 2022/23 there were 14 Mendip specific reviews and 17 joint Local Government Reform LGR reviews. SWAP's overall opinion is one of reasonable assurance.



Issues raised in the limited assurance Audit re creditors will be addressed in the new Unitary Exchequer service and in particular the default position being the use of Purchase Orders unless within a specified exemption .

13.8. The External Audit Opinion for 2022/23 will be (TBC)N. B the opinion on 2021-22 is also still to be advised as the Audit is in progress

13.9. Internal and External Audit reports once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit Committee, on a quarterly basis. Recommendations made in audit reports are followed up 6 months after the completion of the audit and findings reported to Audit Committee.

13.10. External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process. Follow-ups of recommendations are also reported. Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards.

13.11 The Council monitors the implementation of external audit recommendations. Assurance reports are regularly presented to Audit Committee and Ernst and Young summarises the Council's performance in implementing recommendations effectively

and within agreed timescales. However, progress is also monitored through other relevant Committees and Scrutiny functions. The latest Outstanding Audit Recommendations Report will be taken to Mendip's last Audit Committee on 6 March 2023.

Formal reports by S151 or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer investigations	There have been no formal Monitoring Officer or Standards Committee investigations during the year
Proven frauds carried out by Councillors or members of staff	None in 2022/23
Objections received from local electors	None as yet but draft Accounts /AGS are not published until end of May on current requirements
Local Government Ombudsman referrals Upheld	3
Internal audit reports	No high-risk areas identified.

In conclusion Mendip District Council will continue to implement good practice as part of the next annual review in 2022/23.

14. Significant governance issues

There has been a significant impact on council services staff and some finances as a result of the the LGR reorganisation. The narrative in the Statement of Accounts goes into more detail in this area. The response to the covid crisis has added assurance to the effectiveness of the Council's business continuity plans, IT networks resilience, communications strategy, and governance. Despite the many challenges, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible.

In addition to the specific areas highlighted through the audit process, there were some issues highlighted in prior years that were likely to impact on the Council's governance arrangements and therefore were included in the relevant AGS. These actions along with the new actions and current progress are listed below. Any key actions not complete will stay in future AGS and continue to be monitored.

14.1. Ongoing Issues/Projects identified

Issue/Project	Owner	Progress	Risk	Action
Local Plan	T Aarons	In Progress	<p>The changes to the National Planning Policy Framework mean that the Council must increase the number of homes it must build each year. The number proposed is well beyond current delivery levels and means that, from December 2019, the council no longer has a five-year housing supply. This means the Council is now determining housing applications in accordance with the 'presumption in favour' set out in national policy, including speculative applications outside Local Plan Part I and II.</p> <p>The Council also faces new requirements regarding the Local Planning Process under the changes, including a requirement that no plan should be more than five years old, which will place additional pressures on it to review the way it plans and the work it carries out to support the delivery of homes. The policy places a responsibility on the Council to get homes built without giving it any mechanisms to influence the way that developers deliver. This places it at risk of failing to deliver and being penalised by government. Progress on applications and delivery has also been impacted by Phosphates mitigation</p> <p>Local Plan Part II underwent external examination with PINS in the summer of 2019. From this more housing</p>	<p>Planning officers have undertaken joint scoping and costing work to bring forward a new single Plan for Somerset Officers will continue to monitor the new NPPF and the housing delivery on the ground and will develop an action plan based on the final changes directed by Government.</p> <p>Local Plan Part II and the new Single Plan Local Plan review will be worked on alongside each other.</p> <p>In response to the formal claim the most practical way forward under consideration is that the sites for 505 dwellings are identified as part of the new Somerset Plan process. Officer discussions led by Mendip on options around the LPP2 plan review will take place and would need to involve the new Unitary</p>

			<p>sites were required to be found. Cabinet adopted Local Plan part 2 in December 2021, following the further review by PINS</p> <p>There were no Mendip Local Plan consultations in 2022-23 pending preparation of a new unitary development Plan. A Joint Statement of Community Involvement was published in February 2023. Consultations were also undertaken on Supplementary Documents and work on design codes, including a greenspace SPD in October-November 2022 to support the adopted Plan. The Council also supported Neighbourhood Plan work in Wells and Shepton Mallet.</p> <p>The Council received a pre action protocol letter of a Statutory Review on behalf of Norton St. Philip Parish Council (NSPPC/ Claimant) pursuant to Section 113 of the Planning and Compensation Act 2004. In summary, the letter requested that MDC consent to the quashing of Policies NSP1 and BSK1, leaving the remainder of LPP2 in force as adopted.</p> <p>The formal claim was issued by NSPPC on 28th January 2022 against MDC as the Defendant seeking to challenge the legality of MDC's decision to adopt LPP2 on four grounds of which the first two were upheld. The result of the judgement is the following sites have been deleted from the LPP2. No weight or regard can now be given to these policies in the determination of planning applications.</p>	<p>Somerset Council and other stakeholders.</p>
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			<u>Policy MN1 Land at White Post, Midsomer Norton</u> <u>Policy MN2 Land at Underhill Lane, Midsomer Norton</u> <u>Policy MN3 Land east of the A367, Midsomer Norton</u> <u>Policy BK1 Land off Great Dunns Close, Beckington</u> <u>Policy NSP1 Land off Mackley Lane, Norton St Phillip</u>	
5 Councils	R Bates	Commercial Renegotiations	<p>Historic negotiations concerning the truing-up process have been concluded, independently reviewed and the first of three installments paid.</p> <p>The exit of Customer Services, ICT Services and Land Charges prior to vesting day for the new Council have been successfully negotiated and are now being implemented.</p>	
5 Councils	R Bates	Update Working towards transition	<p>Commercial negotiations continued in 2022/23 with a focus on IT services which ran concurrently to a revised T.O.M roadmap for all services covered by the contract.</p> <p>The concluding significant changes as a result of the negotiations are:</p>	Commercial negotiations are largely concluded with result that the significant service still to be provided by Capita for the remainder of the contract is Revenue and Benefits. This

			<p>1.Insourcing of Information Technology following an agreed full exit from Capita Information Technology with an IT Mendip cutover to Somerset IT scheduled for the start of March</p> <p>2.Customer Services will be insourced with exception of Revenue and Benefits.</p> <p>Land Charges and Revenue and Benefits will stay with Capita for the remainder of the Contract</p>	is being dealt with by the LGR Revenue and Benefits workstream in finance
Politics	S Brown	Ongoing	<p>Change in political make up both at national and local levels within Somerset County, inevitably leads to adjusted aims and priorities.</p> <p>It is key that work continues to engage with partners to ensure relationships are not damaged and the direction of travel is not adversely affected.</p> <p>.</p>	<p>The impact of Unitary will be far reaching in all areas including, new Political and services & staff structures, roles responsibilities. Although much work was done in preparing the stronger Somerset business case inevitably there will be associated strengths, weaknesses, risks, and opportunities from the decisions made to create the new unitary. On the financial side includes data collection and plans for funding packages, balance sheet, assets, and system issues. During 2022/23 a significant amount of work for staff with</p>

				the other Somerset councils. The new authority is required to be delivered on a very tight timescale, whilst maintaining existing services.
<p>Funding, including the impact of Covid 19 -As highlighted in the last statement business Rates Retention / Funding Reform</p> <p>In addition, 0 we have the Impact of Covid 19</p>	SLT	In Progress	<p>The settlement was better than might have been expected and Mendip's finances pre-Unitary are reported as</p> <p>The Fair Funding review was established to set a new baseline funding allocation for local authorities based on up-to-date needs and resources. The council plays an active part in feeding into such national working groups as in the case of Fair Funding.</p> <p>The government have delayed the review of relative needs and resource and the 75% business rates retention will no longer be implemented in 2022/23 to allow councils to focus on meeting the immediate public health challenge posed by the pandemic. Linked to the fair funding review, a reset of the baseline has been expected for some time. This would remove the historic growth that Councils have received through the sharing of business rate growth since the introduction of the Business Rates Retention Scheme. Currently 50% of growth has been retained by Councils and the rest by the government.</p> <p>The impact of the final scheme if it removes the growth income may cause additional budgetary pressure on the new Unitary Council.</p>	<p>The Council has sought expert advice and as information becomes available will reflect the impacts in the MTFP of any baseline reset and its negative financial impacts.</p> <p>Due to the delays in the reforms any change will be issues for the new Council.</p> <p>The Council was in a successful pool in I for 2022/23 and achieved better than the budgeted income.</p>

			<p>Covid 19</p> <p>MDC saw a cost impact in 2020-21 as the general grant did not cover all of our costs and the Sales, Fees and Charges (SFC) scheme had a 5% deductible and only paid 75% of losses above this.</p> <p>For 2021-22, the SFC scheme only covered quarter 1 but the general grant and full recovery of Test and Trace costs meant that overall Mendip's costs were covered. Substantial business grants and business rate reliefs were fully covered by government and New Burdens funding received to cover the administration costs.</p> <p>In 2022-23, the Council had little on-going costs. We have contributed to additional costs incurred by Somerset Waste Partnership and a small amount of ongoing high street changes, and these have also been covered by grant.</p> <p>The only significant on-going issue is a reduction in car park income, which presumably arises through continued increased home or hybrid working arrangements.</p>	
Shape Housing Company	T Aarons	In Progress	The Housing Company was essentially dormant in recent years. The 2022 accounts are approved and submitted to Companies House. Shape Housing Ltd will de-register for VAT	Provided no objections to the strike off the Company will be struck off early in next financial year and Ear marked

			<p>The bank account balance was transferred from Shape Housing to the Council.</p> <p>An application to strike-off the company has been made</p>	<p>reserves and monies transferred will clear the debts.</p>
<p>Review in light of impact of Covid 19 the Commercial Strategy, especially in relation to Commercial Acquisitions</p>	R Bates	In Progress	<p>As the purchases will be funded by borrowing, recognising the need to adhere to revised prudential indicators and statutory guidance for reporting on Investments and associated Minimum Revenue Provision (MRP). The revised MRP policy provides a prudent mechanism to repay the debts.</p> <p>As previously advised key changes to the Prudential and Treasury Management Codes – Authorities are not permitted to borrow primarily for financial return. Authorities are not required to sell current commercial investments. , however, should determine exit viability for commercial investments in lieu of taking borrowing.</p> <p>It is possible for schemes that meet Council objectives and relate to Housing and possibly green energy in district then PWLB funding may still be available, and advice was sought from our treasury advisers.</p>	<p>The Council has adopted strict criteria when purchasing Investments to reduce the risk of default and is assisted and guided by its advisers on the opportunities and quality of its investments. Credit checks are run yearly on existing tenants and pre purchase on any proposed new tenants. The situation with existing tenants is being closely monitored by the property team and S151 Officer.</p> <p>Mendip’s commercial portfolio has held up extremely well through the pandemic with minimal impact on rents/ income. The portfolio will now be combined with the other portfolios across the new Somerset Council area. The</p>

				<p>combined portfolio will now be reviewed and monitored by the new Council.</p> <p>Any devaluation (now reported in the Unitary Treasury Management Strategy for commercial properties) /rent issues from the impacts of Covid 19 will be a concern, although property is a long-term investment so the outcome will depend on severity and length of any economic downturn and the resulting state of the property market.</p>
Strategic Developments	R Bates	In Progress	<p>Strategic developments are for the benefit of the community and the timescale long to completion; therefore, the financial risk is that returns will be lower, and funding is tied up. Therefore, there is an opportunity cost as the money spent will not be available to invest for a commercial return e.g., purchase of additional Investment properties</p> <p>Development itself is inherently risky and will require close co-operation with external partners and internal resource to oversee the developments.</p>	<p>The Council balances economic and non-economic benefits and will weigh up all factors to provide the best overall outcome.</p> <p>At present the Council has sufficient funds via its reserves, internal and external borrowing, but this will be monitored, and options</p>

				<p>provided in the event of any conflict.</p> <p>Any decision on best use of resources will take account of cost and benefit analysis and the potential s24 requirements to protect the interests of the new Unitary Council</p>
<p>The Council is less reliant on Capita going forward as more services were / will be insourced. However, some key functions such as IT, revs and benefits and Customer Services remain with Capita. Therefore, the issue of Failure of a main business services support contractor remains. So, the risk is the</p>	SLT	In Progress	<p>It is acknowledged that if contractors fail, it will require the deployment of a significant amount of the Council's resource to address. Due to the significance of this risk, it is proposed that, whilst it is linked to SR42 'failure to implement and mainstream good Information Governance (IG) and Information Management (IM)', it merits inclusion on the Strategic Risk Register in its own right.</p>	<p>Customer services has moved to SCC and SW&T so now not at risk from contractor Exit of Capita ICT (insourced to Somerset ICT) will reduce the risk further Risk now reduced to the Revenues and Benefits service only, which is the core business of Capita and has good breadth across many local authorities, hence minimizing risk in this area.</p> <p>The new Unitary Council will mean all contracts will be reviewed, especially in the light of Somerset having its own ITC network</p>

Council is unable to secure ongoing provision of key frontline services Core contractor				
Impact of Other partner public sector organisations financial pressures	SLT	In Progress	There are financial risks due to financial difficulties at other public sector and partner organisations some of whom have already had to use unallocated reserves to fund services.	The Council works with and in some instances relies on other Partner Public Sector institutions whose budget constraints may mean they review the services they are able to provide. This in turn may mean the public sectors' partners are unable to fund work such as Strategic and other infrastructure projects.
Review the Council's Corporate Plan and MTFP in light of the implications of the Covid 19 Pandemic to confirm sufficient reserves and that the Council demonstrates a	R Bates	In Progress	Review potential impacts on the Corporate Plan of Covid19 In addition to review and revise the MTFP for impacts of the delay in Fair funding, rates reform and the financial consequences of Covid 19. In so doing the Council will model (accepting a high degree of uncertainty) the possible financial consequences of the reduction in income and additional expenditure from the pandemic over 2022/23 and into future years. Changes are still anticipated to arise for local authority funding from the overhaul of the business rate	The MTFP has been updated with the best available information to reflect the impact of Covid 19 and the S151 Officer has reviewed the Council's reserves and balances which are confirmed as sufficient in the s151's going concern report. From April 2023 this will be relevant only to the new Council's finances.

going concern basis			retention scheme which funds a major part of all local authority income as well as the Fair Funding Review, which is the mechanism that will be applied to balance the respective relative need to spend of each authority, based on various demographic and geographical factors. The long-awaited green paper on funding for Adult Social Care is also still to be published The S151 Officer has reviewed cash flow and the level of Council reserves from scenario modelling.	However, although easing there remains a degree of uncertainty as to long term financial and social impacts of Covid 19. The outcome will depend on how quickly the economy recovers and will be linked to the ability to control and treat any further outbreaks of Covid 19.
The IT Programme for 2022/23	R Bates	In Progress	The IT Programme of project in 2022/2023 focussed on work to deliver LGR priorities principally the insourcing of Mendip IT from Capita to Somerset County Council in preparation for becoming a Unitary.	As advised With the Unitary decision in Q2 in 2021/2022 some IT projects have been closed as there was no longer a return on investment and resource was realigned to focus on the delivery of Unitary outcomes In 2022 23 the insourcing of ITC from Capita to Somerset County Council IT is due from 3 March and completing early in the next week.
LGR Unitary	SLT	In progress	Local Government Reorganisation (LGR) With the announcement by Government last year of its intention to create a new unitary Council in Somerset from 1 st April 2023, the five councils in Somerset found themselves working to a fixed timeline to deliver the	Balancing the need to deliver Business as usual including the revised corporate directives which reflect the reality of the Council no longer existing from April 2023.The

			<p>necessary structure to provide a service to the residents of Somerset by that date, to fund the work to create the new organisation and to continue to delivery existing services up until that point.</p> <p>The Chief Executive was invited to attend Scrutiny to discuss the implications of this and has also provided monthly briefing to all Members on progress. Scrutiny Board has also received financial updates as part of the S151s reporting to the Board and a paper covering the proposals to form a joint Scrutiny Board, with representation from all councils, to ensure appropriate checks and balances to the work carried out by the agreed Joint Implementation Board.</p>	<p>workstreams stepped up in intensity and commitments during 2022 23 and there is a risk that the uncertainty caused by the re organisation lead to some exodus of skilled staff during the year or in the future which although not impacting the delivery from the LGR workstreams to date may on the longer term and thus lead to a reliance on temporary staff. Existing temporary staff will usually need to be retained for a period after Vesting Day.</p>
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- i 5 VtdcfUY UddfcUW h f]g_ a UbU[Ya YbhUbX Yei U]f]Yg"

H-9 -BH9FB5 @7CBHFC @9BJ-F CBA9BH

" 7 CAD @5 B79 K #k 9GH56 @G<98 DC @7 9Gž DFC798I F9Gž @KG 5B8 F9; I @HCBG

HLY ghUh hcfmZ]Ua Yk cf_ k]h]b k \]W cW U i h cf]f]Yg UfY fYei]fYX h cdYfUfY j gh]MimiUX\YfYX h Vm hY 5i h cf]m]b U]tg Vi g]bYgg HLY Z]bUbVU a UbU[Ya YbhUffU]b Ya Yb]g UfY fYj]Yk YX cb Ub Ubbi U VUg]g h Ybgi fY hUh hY mVtb]cfa h hY [cj YfbUbW fYei]fYa Yb]g cZ]h Y 7 -D: 5 G]UfYa Ybhcb hY F cY cZ]h Y 7 \]YZ :]bUbVU C Z]Wf j @cW; cj Yfba Ybh f&\$%\$&"

HAY GYVWjcb % C ZWVf UbX A cb]rcf]b[' C ZWVf UFY a Ya VYfg cZA UbU[Ya YbhiHYUa ' UbX']bj c] YX']b' U' _Ym XYVWjcbg UbX' Vch' UFY fYei]fYX']c' a U_Y' Vta a Ybhtg' cb' U' fYdcftg' gi Va]HYX']c' Vta a]HYg']c' Ybgi fY' Vta d']UbW']b' U' XYVWjcbg]U_Yb'" HAY' Y[U' gYVWjcb Vcgy'ma cb]rcf]b[U' Y[]g'U]j' Y' UbX' fY[i ' U]hcb' VUUb[Yg' UbX' VYVW' U]Yg' fY[i ' Uf' i dXU]Yg']c' a UbU[Yfg'" HAY' A cb]rcf]b[' C ZWVf' a Y]htg' fY[i ' Uf' m' k]h' h' Y' 7 \]YZ 9I YVW]j' Y' UbX' 7 \]YZ:]bUbVU' C ZWVf' fG YVWjcb % C ZWVf' gdYVWVW' m]c' X]gVW' gg' Ubm' Y[U' cf' fY[i ' U]rcfm]ggi Yg' h' U]ha UmV' cZVtbVWfb'"

GC7' \Ug' YghUV]g\YX' k \]ghY!V'ck]b[' UbX' ZU] X' UbX' Vtffi d]hcb' ghU]Y[mUbX' dc']M]z XYU]g' cZk \]M' UFY' di V]g\YX' cb' h' Y' 7 ci bV]f]g']b]fU]bY]z k \]M']g' U]VW]gg]V'Y' Vm' U' ghU]Z' HAY' Ubh] ZU] X] h' Y' Z] V]f]V]Yfm' UbX' Vtffi d]hcb' dc']M]n' UbX' k \]ghY!V'ck]b[' dc']M]n' \U] Y' V]WUf' d]fcV]W]gg]Yg' Zc' f' cZ]V]f]g']c' Z' c' ck' UbX' UFY' fY]]Yk' YX' Ubbi U' m]c' Ybgi fY' h' Ym' UFY' gh']' i' d']c' XU]Y' UbX' Z]h' Zc' di fdcg'" HAY' GYVWjcb % C ZWVf' \Ug' h' Y' 5i X]h' 7']Yb] fc' Y' UbX']g' fYgdc]b]V'Y' Zc' Vta a]gg]cb]b[']bj Ygh] U]hcbg] ZU' dc]h' b]h]U' ZU] X']g' gi gdYVW]X'"

(" H<9' 7 CI B7 =CG' 7 CBG=H HCB' 5 B8' 897 =CB' A5? =B; ' DFC79GG9G'

HAY' Z' ck]b[' VcX]Yg' [cj Yfb' h' Y' 7 ci bV]"

GC7' \Ug' U' di V]g\YX' 7 cbg]h] h]cb' h' U]hg]Y]t]g' ci h]]g' XYVW]cb]a U_]b[' Uff]Ub[Ya Ybhtg' UbX' h' Y' fYgdc]b]g]V]]h]Yg' Zc' f' X]Z]f]Y]bh]Z' bV]cbg'" HAY' fY' UFY' V]WUf' fi' Yg' cZ]dc]f]W]Xi' fY' Zc' f' h' Y' fi' bb]b[' cZ]Vi' g]]b]Ygg' a Y]h]b[g' UbX' XYU]g' cZ]XY'Y[U]YX' U] h' c]f]]h]Yg']c']b]X]]X]i' U]g'" HAY' 7 ci bV]"]b' fYgdc]b]g']c' h' Y' 7 cj]X' %' dUbXYa]W]]b]fc]Xi' W]X' j']fi' U' a Y]h]b[g']c' Ybgi fY' h' Y' XYa cV]U]h]W]d]fc]W]gg' V]ci' X' V]cb]h]bi' Y'" HAY' ; cj Yfba Yb]d]fc]j]X]YX' [i]XUbW' cb' \ck' a Y]h]b[g']c']g']ci' X' W' V]cb]Xi' W]X' j']fi' U' m]i' b]h]]g' W' U']h]a' Y' U]g' Z]W']c' Z]W' a Y]h]b[g' V]ci' X' fY]gi' a Y'" HAY']g' 7 ci bV]"]a' d' Ya Yb]h]X' d]fc]W]gg]Yg']c' Ybgi fY' h' Y' XYVW]cb]g' k' Yf' gh']' a U]Y' Z' ck]b[' h' Y' fYei]f]Ya Ybhtg' cZ]h' Y' V]cb]h]h] h]cb'" HAY' h' Ya dc]f]U]m' Y[]g' U]h]cb' V]fc]i' [\]b]]Xi' f]b[' h' Y' 7 cj]X' dUbXYa]W]Yb]XYX' *h' A Um]&\$8% UbX' U]g']g' W' h' Y' 7 ci bV]" \Ug' fY]gi' a YX' Z]W']c' Z]W' a Y]h]b[g' k \]Yf' fYei]f]YX' Zc' f' XYVW]cb]a U_]b['"

HAY' fY']g' U]gc' U' fc]Vi' gh' Vi' X[Y]h' UbX' dc']M]n' Z]U]a' Yk' cf_ z' UbX' XYU]]YX' Z]bUbV]U' fY[i ' U]h]cb]g' UbX' V]cb]h]U]m]h' d]fc]W]Xi' fY' fi' Yg]z' k \]M' UFY' a cb]rcf]YX' Vm]h' Y' GYVW]cb] % C ZWVf' UbX' A cb]rcf]b[' C ZWVf'" HAY' V]cb]h]h] h]cb]z' Z]bUbV]U' fY[i ' U]h]cb]g' UbX' V]cb]h]U]m]h' d]fc]W]Xi' fY' fi' Yg' UFY' fY]]Yk' YX' Ubbi U' n]z' UbX' V]cb]g]XYf]YX' Vma' Ya VYfg' cZ' h' Y' 5i X]h' ' G]h]UbXU]f]Xg' 7 ca a]h]Y' UbX' 7 ci bV]"

5' fYdcftg' UFY' fY]]Yk' YX' Zc' f' Y[U' UbX' Z]bUbV]U' V]cb]g]XYf]U]h]cb]g]z' \i' a Ub' fY]gci' fW']a' d']W]h]cb]g]z' Yei' U']m]i']a' d]U]m]h' U]gg]Yg]ga' Ybhtg]z' Ybj']f]c]ba' Yb]h]U' UbX' V]ta' a i' b]]m]i' gU]Z]h]m]i']a' d']W]h]cb]g]z' YV]cb]ca']W' XY]j' Y' c]da' Yb]h]]a' d']W]h]cb]g' UbX' f]g_ a UbU[Ya Yb]h]z' U]cb[' k]h' h' Y']b_]c' h' Y' 7 ci bV]f]g' V]fd]c]f]U]Y' d]f]c]f]h]Yg' d]f]c]f']c' V]Y]b[' d]f]Yg' Yb]h]YX']c' a Ya VYfg' Zc' f' Zc]fa' U' XYVW]cb]a U_]b['" HAY' GYVW]cb] % C ZWVf' UbX' A cb]rcf]b[' C ZWVf' \U]j' Y' gdYVW]YX' fc' Yg' k]h']b' h' Y' 7 cbg]h]h] h]cb']c' Ybgi fY' fYdcftg' d]f]Yd]U]f]YX' Zc' f' A Ya VYf' XYVW]cb] V]ta' d' m]k']h' h' Y' Vi' X[Y]h' UbX' dc']M]n' Z]U]a' Yk' cf_ z']b' U]X]h]cb']c' V]ta' d']UbW' k]h' Y[]g' U]h]cb' UbX' fY[i ' U]h]cb]g'"

HAY 7 ci bV]"

HAY' 7 ci bV]"]g' h' Y' Vc]X]m' h' U]h' V]c' YV]h]j' Y'm' U[fY]Yg' h' Y' dc']W]Yg' Zc' f' h' Y' 5i h' c]f]]m]z' V]cb]h]f]Vi' h]b[']c' [ccX' [cj Yfb]UbW' UbX' Yb]V]ci' fU[]b[' V]ta' a i' b]]m]d]U]f]h]V]d]U]h]cb' UbX' V]h]h]Yb']bj' c]j' Ya Yb]h]]b' XYVW]cb]a U_]b[']

HAY 9I YW]h]j' Y'

HAY' 9I YW]h]j' Y']g' h' Y' V]ta' a]h]Y' V]WUf[YX' k]h' ; cj Yfb]UbW' k]h']b' h' Y' 7 ci bV]" # \Ug' U' di V]g\YX']h]a' Y]h]U]V'Y' UbX' Bch]W' cZ]D]f]c]d]cg]YX' ? Ym]8YV]W]cb]g']c' V']U_Yb' UbX' a Y]htg']b' di V]]W]h]f]Y']h]a' Yg' Xi' f]b[' Ub' Y[]h]k' Y]_ d]Y]f]c]X'" HAY']g]z']c']Y]h]Y]f]k']h']Ub' U]d]d]f]c]d]f]U]h' Y]j' Y' cZ]XY'Y[U]h]cb']c' g]Y]b]c]f]a' UbU[Yfg' Yb]U]V'Yg' gd]Y]Y]X]m]XYV]W]cb]a U_]b['" # U]X]h]cb']c' h' Y' fY[i ' Uf' 9I YW]h]j' Y' a Y]h]b[g' U' gdYVW]W]d]Y]f]Zc]fa' UbW' 9I YW]h]j' Y']g' \YX' ei' U]f]Y]f]m]i' HAY' 9I YW]h]j' Y' U]gc' \Ug' U]G]i' V]! 7 ca a]h]Y' _bck' b' U]g' h' Y' D]f]c]d]Y]f]m]h]j' Y]g]ta' Yb]h]6c]U]f]X' k \]M' a U_Yg' XYVW]cb]g' cb' h' Y' U]V]ci']g]h]cb' cZ' h]j' Y]g]ta' Yb]h]d]f]c]d]Y]f]h]j']g']b]Y' k]h' h' Y' 7 ci bV]f]g' D]f]c]d]Y]f]m]h]j' Y]g]ta' Yb]h]G]h]U]Y[]n]i'

HAY GWi h]bm]7 ca a]h]Yg'

G]W]i' h]bm]i' cZ' 9I YW]h]j' Y' XYVW]cb]g' UbX' d]Y]f]Zc]fa' UbW']g' W]U]f]Y]X' ci' h' h' f]ci' [\ ' h' k' c' g]W]i' h]bm]i' V]ta' a]h]Yg'" 7 ca a i' b]]m]i' G]W]i' h]bm]i' d]f]]a' U]f]]m]i' V]cb]g]XYf]g' Y]i' h' Y]f]b]U']ggi' Yg']a' d]U]m]h]b[' cb' h' Y' V]ta' a i' b]]m]z' UbX' 7 c]f]d]c]f]U]Y' G]W]i' h]bm]i' Z' W]g]Yg' cb']b]h]f]b]U']ggi' Yg'" HAY' Yg' V]ta' a]h]Yg' V]Ub' W]U']b' XYVW]cb]g' a U]Y' Vm]h' Y' 9I YW]h]j' Y' V]Y]Zc]f]Y']a' d' Ya Yb]h]U]h]cb/ h' Ym]U]gc' \U]j' Y' h' Y' Z]Y]Y]X]ca']c' a U_Y' fY]V]ta' a Yb]X]U]h]cb]g' cb' Z' h]i' fY' dc']M]n]c]d]h]cb]g]z' UbX']c'

fYj JYk 'hY' [YbYfU' dc]MhUbX' gYfj JW' XY'j YfmicZ hY' 7 ci bVW' 5 'c]bh a Yfh]b[' cZ hY' a Ya VYfg' cb' hY' GVh h]bmiVta a]hYyG' jg' \YX' Ubbi U'mhc' fYj JYk 'hY' @UXYfg' <] \ ' @Yj Y' Vi X[YhdfcdcgUg''

H Y 5 i X]hUbX' GhubXUfXg' 7 ca a]hYy

H Y 5 i X]h' GhubXUfXg' 7 ca a]hYy Vtbg]XYfg' U'']bYfbU' UbX' YI fYfbU' Ui X]hfYdcfngz' Uddfcj Y' hY' GhUfYa Ybhi cZ5Vtci bhg' UbX' XYU' k]h' fY[i 'Uf' [cj YfbUbW']ggi Yg'' H\jg' Vta a]hYy' \Ug' gdYVW]WfYgdcbg]V']hmiZcf' f]g_ ' a UbU[Ya Ybhz' Yei U']hYg' UbX' hfYUgi fmi a UbU[Ya Ybhi' H\Y' Vta a]hYy' k]'' Ugc' \Uj Y' fYgdcbg]V']hYg' fY[UfX]b[' hY' cdYfU]cb' cZ hY' 7 ci bVW'jg' UXcdhYX' A Ya VYf' 7 cXY' cZ7 cbXi VtZcf hU]b]b[' A Ya VYfg']b' fYgdYVh' cZ hY' 7 cXY' UbX' UggYgg]b[' UbX']bj Ygh] U]b[' Vta d'U]bhg' U[U]bhgha Ya VYfg' cZGYX[Ya ccf' 8]gh]Mh' 7 ci bVW' UbX' DUf]g' \Yg']b' GYX[Ya ccf'' #Ugc' XYU'g' k]h' j Uf]ci g' ch Yf' a UhfYg' XYg] bYX' h' Ybgi fY' hU]h' \] \ ' Yh]W' ghUbXUfXg' UfY' a U]bU]bYX' UbX' dfca chYX''

H Y A UbU[Ya YbhiHYUa '

H Y A UbU[Ya YbhiHYUa ']bW' XYg' hY' 7 \]YZ 9I YW]h] Y' fkYUX' cZ DU]X' GYfj]WtZ' 8Ydi hm 7 \]YZ 9I YW]h] Yz' GhUfY[]W8]fYVtcf' fGYV]cb' % % C Z]WfZ' A cb]hcf]b[' C Z]WfZ' 7 cfdcfUfY' F YU]hcbg' C Z]Wf' UbX' g]] 5gg]ghUbi 8]fYVtcfg'' H\Y' fYUa ' a Yfh]g' Yj Yfmik YY_ ' UbX' dfcj]XYg' hY' ghUfY[]WX]fYV]cb' cZ hY' 7 ci bVW']b' XY']j Yf]b[' A Ya VYfg' fYei]fYa Ybh]g'' H\Y' 5i h'cf]m]g' dYfZ'fa UbW']g' a cb]hcfYX' U[U]bhgh hY']fYa g' cb' hY' VtfdcfUfY' XUg' \VcUfX'' H\jg']bW' XYg' \] \ ' Yj Y' U]V]cbgZ' cdYfU]cbU' U]V]cbgZ' Ui X]hfYVta a YbXU]hcbg' UbX' dYfZ'fa UbW']bX]W]hcfgz' U'' cZk \]W' UfY' Ugc' a cb]hcfYX' cb' hY' 7 ci bVW'jg' dYfZ'fa UbW' a UbU[Ya Ybhi gng]Ya ' DYbhU]b' DYfZ'fa UbW'' H\Ym' \Uj Y' fY[i 'Uf' fYdcfng' cb' hY' 7 ci bVW'jg' ghUfY[]Wf]g_ ' fY[]ghYf' UbX' Ub' Ubbi U' fYdcf]cb' hY' Vtci bVW'jg' UddfcUW' h' XY']j YfmicZ]f]g' Yei U']hmiV'YV]j Yg' UbX' fYgdcbg]V']hYg''

K \ c''mck bYX' 7 ca dUb]Yg'

H\Y' 7 ci bVW' Ugc' Z' Z]g' U' [cj YfbUbW' fc'Y']b' fYU]hcb' h' h' fYy' Vta dUb]Yg' hU]h]k \ c''mck bg' bUa Y'm!

<ca Yg']b' GYX[Ya ccf' ! 5' Vtci bVW' k \ c''mck bYX' Ufa g' Yb[h' a UbU[Ya Ybhcf[Ub]gU]hcb' k \]W' a UbU[Yg' hY' 7 ci bVW'g' \ci g]b[' g]h'V'' H\Y' 7 ca dUbm]g' U' df] UY' Vta dUbm]a]YX' Vm[i UfU]hY' k]h' ci hg' UfY' Wd]hU'' H\Y' 7 ci bVW' \Ug' U' A UbU[Ya Ybhi 5] fYYa Ybhi k]h' hY' 7 ca dUbm]k \]W']g' cj YfgYyb' Vm hY' 7 ci bVW'jg' 9I YW]h] Y'' # UXX]h]cbZ' hY' 6cUfX' \Ug' h' fYy' 7 ci bVW' a Ya VYf' fYdfYgYbU]h] Yg''

5gdYb' <ci g]b[' UbX' 8Yj Y'cda Ybh @]a]YX' ! 5' 7 ci bVW' k \ c''mck bYX' df]j UY']a]YX' Vta dUbm]k \]W' a UbU[Yg' df]j UY' gYVtcf' \ci g]b['' H\Y' 7 ca dUbm]g' cj YfgYyb' Vm hY' 9I YW]h] Y' UbX' \Ug' h' fYy' 7 ci bVW' cZ]Wf' fYdfYgYbU]h] Yg' cb' hY' 6cUfX''

GYX[Ya ccf' ; fci d' @]a]YX' ! 5' 7 ci bVW' k \ c''mck bYX' df]j UY']a]YX' Vta dUbm]k \]W']g' hY' dUfYbhVta dUbm] cZ5gdYb' <ci g]b['' H\Y' 7 ca dUbm]g' cj YfgYyb' Vm hY' 9I YW]h] Y' UbX' \Ug' h' c' 7 ci bVW' cZ]Wf' fYdfYgYbU]h] Yg' cb' hY' 6cUfX''

]'' 7C89'C: 7CFDCF5H9'; CJ9FB5B79'

H\Y' 7 cXY' Ug' Uddfcj YX']b' A UfW' &\$%&']g' VUgYX' cb' hY' 8Y']j Yf]b[' ; ccX' ; cj YfbUbW' : fUa Yk cf_ ' k \]W' gi [[Yg]g' hU]h5i h'cf]hYg' \Uj Y' (' _Ymfc' Yg' :

- i' Hc' Yb[U[Y']b' YZYV]j Y' dUf]hYfg' \]dg'
- i' Hc' Ybgi fY' hY' XY']j YfmicZ \] \ !ei U']hmi' cW' gYfj]W'g' k \ Yh Yf' X]fYV]hmi' cf']b' dUf]hYfg' \]d' cf' Vm Vta a]gg]cb]b[' :
- i' Hc' dYfZ'fa ' U' ghYk UfXg' \]d' fc' Y' k \]W' dfchYV]g' hY']bYfYg]g' cZ' cW' dYcd'Y' UbX' a U_Yg' hY' VYgh i' gY' cZfYgci fW'g'
- i' Hc' XYj Y'cd' V]h]hYbg' \]d' UbX' 'cW' XYa cWU]h'

H\Y' 7 ci bVW' fYVt[b]gYg' hU]h hY' g]] Vtcf' df]bW]d' Yg' cZ ; ccX' ; cj YfbUbW' UfY' :

- i : cWg]b[' cb' h.Y' di fdcgY' cZh.Y' Ui h.cf]hmUbX' cb' ci hVta Yg' Zcf' h.Y' Vta a i b]hmUbX' VYUf]b[' UbX' ja d'Ya Ybh]b[' Uj]g]cb' Zcf' h.Y' 'cW' UfYU'
- i : A Ya VYfg' UbX' cZ]Wfg' k cf_]b[' hc[Yh.Yf' hc' UWX]Yj Y' U' Vta a cb' di fdcgY' k]h' VYUfm XYZ]bYX' Z bV]cbg' UbX' fc'Yg'
- i : Dfca ch]b[' j Ui Yg' Zcf' h.Y' Ui h.cf]hmUbX' XYa cbghfUf]b[' h.Y' j Ui Yg' cZ [ccX' [cj YfbUbW' h.fci [\ i d\c'X]b[' \] \ g]ubXUfXg' cZVtbXi VmUbX' VY\Uj]ci f'
- i : HU_]b[']bZfa YX' UbX' hfUbgdUfYbhXYV]g]cbg' k \]W' UfY' gi V'YVh'hc' YZYV]j Y' gVh' h]bmUbX' a UbU[]b[' f]g_
- i : 8Yj Y'cd]b[' h.Y' WdUW]hmUbX' WdUW]]hmcZa Ya VYfg' UbX' cZ]Wfg' hc' V' YZYV]j Y'
- i : 9b[U[]b[' k]h' 'cW' dYcd'Y' UbX' ch.Yf' g]U_Y\c'XYfg' hc' Ybgi fY' fcVi ghdi V]WUWti bhUV]]hm

**** 9BG F-B; ' H-9' 97CBCA=75 @ 9: : 97HJ9' 5B8' 9: : 7-9BH I G9' C: ' F9GCI F79G' -B' 57<-9J-B; ' H-9' 7 CI B7 =@G' DF =CF +H9G'**

H.Y' 7 ci bV] Ughi dXUfYX']g' 7 cfdfUfY' GhfUfY [m]p' GYdHYa VYf' &\$&%'' GYX[Ya ccf'gf] ' fYa U]bg' XYfYfa]bYX' hc' _YYd' 7 ci bV] HUI ' ck ž]h]g' Vta a]hYX' hc' UXXfYgg]b[' h.Y' YVtbca]WVU'Yb[Yg' h.UhZ]W' h.Y' fYg]XYbhg' UbX' Vi g]bYggYg']b' h.Y' X]ghf]Mz' UbX']g' U' dYfZca UbW' YX' cf[Ub]gUf]cb' h.UhXY']j' Yfg' [ccX' di V]WgYfj]Wgž [ccX' j Ui Y' Zcf' a cbYmUbX' YZYV]j Y' YUXYfg' \d'' H.Y' ghfUfY [m]g' VUgYX' cb' XY']j' YfmcZdfc[fUa a Yg' VY]b[ž 7 i ghca Yfg' / '9Z]WYbV]z <ci g]b[ž <YU'h' UbX' K Y' VY]b[' UbX' ; fck h' UbX' -bZUghf] Wf fY'' H.Y' 7 cfdfUfY' GhfUfY [m]]j' Yg' U' VYUf' YUX' Zcf' Z]bUbV]U' UbX' gYfj]W' d'Ubb]b[' XYV]g]cbg'' H.Y' df]cf]hYg']XYbh]YX']b' h.Y' ghfUfY [m]UfY.'

7 i ghca Yfg' / '9Z]WYbWm

K Y' k]' Xc' U' k Y' Wb' hc' Ybgi fY' ci f' U]W]j]hYg' UfY' a UbU[YX' YZYV]j Y'mUbX' YZYV]bhñz']b' cfXYf' hc' _YYd' ghUbxUfXg' \] \ ' UbX' dfchV]h.Y' YggYbh]U' gYfj]Wg' dYcd'Y' cZh.Y' X]ghf]W]j Ui Y'' K Y' fYa U]b' Vta a]hYX' hc' 'ck' 7 ci bV] HUI ' UbX' \] \ ' dYfZca UbW''

<ci g]b[ž <YU'h' / 'K Y' VY]b[' '

<ci g]b[']g' U' fYU' WU'Yb[Y' Zcf' GYX[Ya ccf' ! K Y' k]' k cf_ \UfX' hc' dfcj]XY' UZcfXUVY' UbX' XYWbh' \ci g]b[' h.fci [\ ' U' d'UbbYX' XY' Y' cda Ybhdfc[fUa a Y' k cf_]b[' k]h' dUf]bYfg' hc' a U[]a]gY' h.Y' ci hVta Yg'' H\]g' df]cf]hm' Ucb[' k]h' h.Y' cj YfU' 7 ci bV] Ugd]fUf]cbg' gi ddcff]g' ja dfcj YX' \YU'h' UbX' ei U']hmcZ']Z' Zcf' Yj YfmfYg]XYbh]b' h.Y' X]ghf]W'

; fck h' / 'bZUghf] Wf fY'

K Y' UfY' Vta a]hYX' hc' k cf_]b[' k]h' fYg]XYbhg' UbX' Vi g]bYggYg' hc' [fck h' h.Y' 'cW' YVtbca m'hc' Ybgi fY' h.Y' X]ghf]W]Wb' VYbYZh'UbX' dfcgdYfZca' h.Y' [fck h' 'H\]g' df]cf]hm' h.Ya Y']bW' XYg' k cf_]b[' k]h' YI fYfbU' dUf]bYfg' hc' XY']j' Yf' h.Y' <]b_ Ymdfc[fUa a Yž DUffYh'6Uff]Yf' UbX' hc' gYVfY' gi g]U]bUVY' Z bX]b[' Zcf' h.Y' ZccX]b[']ggi Yg''

+'' 7CADF9<9BG=J9' : -B5B7-5 @5B8' G9FJ=79' D@BB-B; ' '

H.Y' 7 cfdfUfY' GhfUfY [m]g' h.Y' 7 ci bV]f]g' _Ymd'Ubb]b[' XcW' a Ybhk \]W']g']bhf]bg]W' m']b_YX' hc' h.Y' A YX]i a' HYfa' :]bUbV]U' D'Ub' UbX' h.Y' <ci g]b[' F Yj Ybi Y' 5Wti bh'6i g]bYgg' d'Ub''

5'' dYfZca UbW' huf[Yhgž df]cf]hmci hVta Ygž cdYfUf]cbU' U]W]cbgž gYfj]W' ghUbxUfXgž _Ymdfc[fUa a Y' U]W]cbg' UbX' Ui X]h' U]W]cbg' UfY' bck' a UbU[YX' Vm i gY' cZ h.Y' 7 ci bV]f]g' UXcdhYX' Vta di hYf]gYX' dYfZca UbW' a UbU[Ya Ybh' gng]Ya' fDYbhUbułz' k \]W' U' 'ck' g' cZ]Wfg' UbX' a Ya VYfg' hc']bhYffc[UfY' UbX' fYdcfh' cb' h.Y]f' huf[Yhg' U]h' Ubm]ja Y'' F Ydcfh]b[' Z bV]cbU']hmik]h]b' h.Y']g' gng]Ya' U' 'ck' g' gYb]cf' a UbU[Yfg' UbX' a Ya VYfg' hc' hfUW' dYfZca UbW' k]h]b' h.Y]f' gYfj]Wg' UbX']XYbh]Zm k \YfY' gdYV]W]W dfc' YV]g' cf' dYfZca UbW' huf[Yhg' Ugg]]bYX' hc' gdYV]W]Wg]hUz' \Uj Y' g']ddYX''

HAY' 7ci bWV' dFcXi Wg' Ub']b]U' A YX] a' HYfa' :]bUbV]U' D'Ub' aH: DE']b' GYdHYa VYf' UbX' U'Z' ~' A H: D']b' Bcj Ya VYf'" H]g' dFcj]Xyg' hY' dUfUa YfYfg' k]h]b' k \]M' Vi X[Yhg' k]' W' gyhUbX' a UbU[YX' cj Yf' U'Z] Y' mYUf' dYf]cX'" HAY' d'Ub' hU_Yg' UVMZi bhicZ Ubh]V]dUHYX' V]Ub[Yg' hc' Z bX]b[ž' Y[U' fYei]fYa Ybhg' UbX' dYfZcfa UbWV' hUf[Yhg' Ucb[] k]h' hY' 'cWV' Ugd]fU]cbg' Ug' V]dhi fYX' k]h]b' hY' 7 cfdcfUHY' GhfUHY[m]UbX' [U]bYX' h]fci [\ Ubbi U' Vi X[Yh VZbgi 'hU]cb'" H]g' 7ci bWV' \Ug' VZb]bi YX' k]h' hY' a UbU[YX' i gy' cZ VU'UbWg' ghfUHY[m] Uddfcj YX']b' &\$%&' b' cfXYf'hc' XY'] Yf' U'VU'UbWVX' Vi X[Yh]b' hY' a YX] a' 'fYa' " Hc' a']h] UY' hY']a dUMVg' cZ hY' YVZbca]WV]a UY' UbX' g] [b]Z]Wbh fYXi V]cbg']b' ; cj Yfba YbhZ bX]b['GYX[Ya ccf' Vi]hi d']hg' [YbYfU' Z bX' VU'UbWg']b' YI Wgg' cZ hY' a]b]a i a' c8%' a']'cb'" H]g' \Ug' Ugg]ghYX' k]h' hY' a UbU[YX' i gy' cZ VU'UbWg' ghfUHY[mk \]M' gdfYUXg' hY' fYXi V]cbg' cj Yf' U'Z] Y' mYUf' dYf]cX' fU]h Yf' h]Ub' g] [b]Z]Wbh fYXi V]cbg']b' cbY' mYUf'" K \Yb' hY' Vi X[Yh]g' Uddfcj YX']h]bW' XYg' U'Z] Y' mYUf' d'Ub' cZ fYXi V]cbg']b' V]UgYX']bVZa Y' bYXYX' hc' XY'] Yf' U'gi ghU]bUVY' a YX] a' 'fYa' 'Vi X[Yh' HAY' 7ci bWV' \Ug' VZb]bi YX' k]h' hY' Ygy']b]U] Yg' UbX' hY' d'Ub' Ucb[] k]h' hY' Z] [i fYg' \Uj Y' VYyb' i dXUYX' k \YfY' Uddfcdf]UHY'"

HAY' ; cj Yfba Ybhg' XYVg]cb' hc' WYUHY' cbY' i b]hUfm7ci bWV' Zcf' Gca YfgYhk Ug' Ubbci bWX']b' > i' m&\$8%ž' h]g' \Ug' Ub']a dUMh'cb' hY' dFcXi V]cb' cZ hY' A H: D'" HAY' Z]bU' d'Ub' Zcf' GYX[Ya ccf' 8]gh]Mh' 7ci bWV' \Ug' VYyb' dFcXi WX' Zcf' hY' dYf]cX' i d' hc' : '%^A UfW' &\$8%'

HAY' 7ci bWV' dFcXi Wg' U'Z] Y' mYUf' W]d]hU' ghfUHY[nž' k \]M' gyhg' ci h]hY' 'cb[!fYa' VZb]hY' h]b' k \]M' W]d]hU' YI dYbX]h' fY' UbX']b] Yg]a YbhXYV]g]cbg' UfY' a UXY' UbX' [] Yg' Xi Y' VZb]g]XYfU]cb' hc' Vch' f]g_ UbX' fYk UfX' UbX']a dUMh'cb' hY' UVM]Y] Ya YbhicZ df]cf]mici hVZa Yg'" 5g' Zca' %5df] &\$% ' hY' Dfi XYb]U' 7cXY' Zcf' 7Ud]hU' :]bUbW']b' @cWV' 5i h]cf]h]Yg']b]fci X' WX' U'Z]Ua Yk cf_ fYei]f]b['W]d]hU' YI dYbX]h' fY' d'Ub]g' hc' W' UZcfxUVYž' dfi XYbh UbX' gi ghU]bUVY' UbX' h]Uh' fYUgi fma UbU[Ya Ybh XYV]g]cbg' UfY' hU_Yb']b' UVMZfXUbWV' k]h' [ccX' dFcZ'gg]cbU' dfUM]W' UbX' Z' ~' i bXYfg]ubX]b['cZ hY' f]g_ " HAY' 7Ud]hU' GhfUHY[m]g' hY' cj YfUfW]b['XcW'a Ybh' k \]M']g' gi ddcfYX' Vm]hY' HfYUgi fma UbU[Ya YbhghfUHY[m]UbX' hY' Ygy' XcW'a Ybhg' k YfY' Uddfcj YX' Vm]7ci bWV']b' A UfW' &\$8%'

5 7CF DCF 5H9 5DDF C57 < HC F =G? A 5B5; 9A 9BH'

HAY' F]g_ A UbU[Ya YbhGhfUHY[m]g' fYj]Yk YX' Yj Yfmi&mYUfg'" HAY' dc]Mh]g' XYg] [bYX' hc' gyh]hY' UddfcUMV' hY' 7ci bWV' k]' hU_Y']XYbh]Z]b[ž' gVZf]b[' UbX' a UbU[]b["hY' f]g_g' cZ hY' 7ci bWV'" HAY' ghfUHY[m]WYUf' mgyf]g' ci h' fc' Yg' UbX' fYgdc]b]V]]h]Yg' UVMcgg' hY' 7ci bWV' Ug' Z' c'k'

- i' CdYfU]cbU' A UbU[Ya YbhHYUa' ! fYgdc]b]VY' Zcf' ghfUHY[]Wf]g_gž' k \]M']g' U' f]g_ gVZfY' cZ %' cf' Uvcj Yž' UVMcgg' hY' 7ci bWV' Ug' U'k \c'Y'" HAY' Ygy' UfY' fYj]Yk YX' Yj Yfmi' cbh']b']bY' k]h' hY' GhfUHY[m]
- i' 5gg]ghUbh8]fYV]c'fg' ! fYgdc]b]VY' Zcf' hY' cdYfU]cbU' f]g_gž' k \]M' UfY' f]g_g' k]h' U' gVZfY' cZ %' cf' Ygg' k]h]b' hY' f]g' Yf]]W' UfYU'" HAY' Ygy' UfY' fYj]Yk YX' Yj Yfmi' UfYf']b']bY' k]h' hY' GhfUHY[m]
- i' 5i X]hUbX' GhUbxUfXg' 7ca a]hY' ! cj YfgY' hY' f]g_ fY []ghYfg' cZ hY' 7ci bWVž' UbX' fYW]] Y' U' * a' cbh' m' fYdcf]cb' hY' fY []ghYfgž' hY' i dXUYX' ghfUHY[m]UbX' Ubmich' Yf' fY' Yj Ubh]b]Zcfa U]cb'
- i' GHUZZ' fYgdc]b]VY' Zcf' fU]g]b[']gg' Ygž' k \]M' i dcb']b] Ygh] [U]h]cbž' VZi' X' VYVZa YU' f]g_ Zcf' hY' 7ci bWV'

HAY' F]g_ A UbU[Ya Ybh GhfUHY[m]k Ug' 'UgYX' fYj]Yk YX' Vm' GYX[Ya ccf']b' GYdHYa VYf' &\$8%ž' k]h' hY' bYk' Gca YfgYh' 7ci bWV' ghfUHY[m]VY]b[' g] [bYX' cZ]b' 8YW'a VYf' &\$8%'

5~ VZa a]hY' fYdcf]g' UfY' fYei]fYX' hc']bW' XY' U' f]g_ a UbU[Ya Ybh]a Uf] [XYhU]b[' hY']a dUMZ' dFcVU]]mž']a d']W]h]cbg' UbX' a]h] U]b[' UVM]cbgž' Ug' UfY' V]Xg' Zcf' UXX]h]cbU' Z bX]b[' cf' dFc]dc]gUg' hc' fYXi W' VZg]g'" HAY' 7ci bWV' \Ug' a UXY' g] [b]Z]Wbh dFc' fYgg']b' h]g' UfYU' UbX' U' f]g_ ! VUgYX' UddfcUMV']g' i gyX' Zcf' U' XYV]g]cb[a U']b[' UbX' gYf]]W' XY'] Yfmi' HAY' 7ci bWV' \Ug' Ugc' XYj Y'cdYX' U' fc' Vi gh' UddfcUMV' hc' f]g_ a UbU[Ya Ybh]h' dFc' fUa a Y' Yj Y'" HAY' fY' UfY' bck' a cb]hc' fYX' f]g_ fY []ghYfg' Zcf' Vch' 7i g]ca Yf' 5WV'gg' UbX' <]b_Ym]k]h' cb[c]b[' k cf_ hc' XYj Y'cd' cbY' Zcf' hY' \ci g]b[' dFc' fUa a Y' VcUfX'"

5~ f]g_g' UfY' a cb]hc' fYX' h]fci [\ hY' 7ci bWV]g' dYfZcfa UbWV' a UbU[Ya Ybh' g]gh' Ya gž' DYbh]UbU' UbX' Vm' i g] [h]g' g]gh' Ya' kY' \Uj Y' VYyb' UVY' hc' Vi]X' U' \]gh' cfmicZ hY' f]g_g' hY' VZi' bWV' \Ug' ZUWX' UbX' VZb]bi Y' hc' ZUW'"

HAY']bYf]bU' Ui X]h' d'Ub' k Ug' XYj Y'cdYX' Vm' hY' 7ci bWV]g']bYf]bU' Ui X]h' c'fgž' Gci h' K Ygh' 5i X]h' DUf]bYfg' \]d'

fGK 5DE Ucb[' k]h' h.Y' GYV]cb' % C Z]Wf' UbX' CdYfU]cbU' A UbU[Ya Ybh HYUa ' i g]b[' U' f]g_ ' VUgYX' UddfcUW"

- " F9J9K 'C: '9: : 97HJ9B9GG'

H.Y' GYV]cb' % C Z]Wf' \Ug' h.Y' fYgdcbg]V]]hmZcf' VzbXi V]b[' cb' VY\U'ZcZGC7ž Uh' YUghUbbi U' nž' U' fYj]Yk' cZ h.Y' YZYV]j YbYgg' cZ h.Y' gng]Ya ' cZ]b]YfbU' Vzb]fc' " H\]g']g' fYdcf]YX' h' a Ya VYfg' cZ h.Y' 5i X]h' ' GHUbXUfXg' 7ca a]h.Y' k \c' UfY' fYgdcbg]VY' Zcf' Vch']b]YfbU' UbX' YI hYfbU' Ui X]h]ggj Yg' " H\]g' fYj]Yk']g']bZfa YX' Vm'

- i' hYfbU' 5i X]h]g' Ubbi U' cd]b]cb' fYdcfh
- i' h.Y']b]YfbU' Ui X]h]fYj]Yk /
- i' YI hYfbU' Ui X]h]c]f]f]fYdcf]g/
- i' 5bbi U' ; cj YfbUbW' F Yj]Yk ' ! GYb]cf' A UbU[Yfg' 5ggi fUbW' GHU]Ya Yb]g/ UbX'
- i' fYdcf]g' h' h.Y' 5i X]h]v' ' GHUbXUfXg' Vza a]h.Y' Xi f]b[' h.Y' mYUf/

H.Y' dfcW]gg' h.Uh' \Ug' VYyb' Udd']YX' h' a U]b]U]b]b[' UbX' fYj]Yk]b[' h.Y' YZYV]j YbYgg' cZ h.Y' [cj YfbUbW' Z]Ua Yk cf_]bW' XYg/

- i' H.Y' A cb]h]cf]b[' C Z]Wf' \Ug' U' Xi h]m]c' a cb]h]cf' UbX' Ubbi U' m]fYj]Yk ' h.Y' 7 cbg]h] h]cb''
- i' H.Y' GYV]cb' % C Z]Wf' \Ug' h.Y' fYgdcbg]V]]hmZcf' fYj]Yk]b[' h.Y' Z]bUbW]U' fY[i ' U]h]cbg' UbX' fYdcf]b[' Ubbi U' m]c' a Ya VYfg''
- i' H.Y' 7ci bV] \Ug' U' W']b' dfcW]ggž k \]M' U' c]k' g' UbmXYV]g]cb' a UXY' Vm]h.Y' 9i YW]h]j Y' h' W' W' YX']b' VYZ'fY']a d'Ya Ybh]h]cb'' H\]g' XcYg' \c]k' Yj Yf' bY]X' h' W']b']bY' k]h' h.Y' 7 cbg]h] h]cb''
- i' H.Y' 5i X]h] / ' GHUbXUfXg' 7ca a]h.Y' Uddfcj Yg' h.Y' 5bbi U' GHU]Ya Ybh cZ 5W]i b]gž h.Y' 5bbi U' ; cj YfbUbW' GHU]Ya Ybh UbX' h.Y' F Yj]Yk ' cZ hYfbU' 5i X]h' h' fYW]j Yg' fY[i ' Uf' fYdcf]g' Zca ' Vch']b]YfbU' UbX' YI hYfbU' Ui X]h'
- i' H.Y' 7ci bV]g']b]YfbU' Ui X]h]Z bV]cb']g' d]fcj]YX' j]U' Ub' U[fY]Ya Ybh]k]h' GK 5D'' H.Y']b]YfbU' Ui X]h] Z bV]cb' cdYfU]Yg' h' h.Y' ghUbXUfXg' gYh' ci h]b' h.Y' f7 cXY' cZ DfU]M]W' Zcf' hYfbU' 5i X]h]]b' @cW' ; cj Yfba Ybh]b' h.Y' I ?f] GK 5D']g' fYgdcbg]VY' Zcf' a cb]h]cf]b[' h.Y' ei U']m] UbX' YZYV]j YbYgg' cZ gng]Ya g' cZ]b]YfbU' Vzb]fc' " 5' f]g_ a cXY']g' i gYX' h' Zca i ' UfY' h.Y' Ui X]h]d'Ubž]h]g' di h]c[Yh.Yf' Vm]h.Y' GYV]cb' % C Z]Wf' UbX' 5gg]gh]Ubh 8]fYV]c]f' fGK 5DE' UbX' Vzb]g]XYfYX' Vm' h.Y' CdYfU]cbU' A UbU[Ya YbhHYUa ' UbX' Uddfcj YX' Ubbi U' m]V]m]h.Y' 5i X]h]v' ' GHUbXUfXg' 7ca a]h.Y''
- i' 5' ei Uf]Yf' m] fYdcfh]g' gi Va]h.Y' h' a Ya VYfg' cZ h.Y' 5i X]h] / ' GHUbXUfXg' 7ca a]h.Y'' H.Y' fYdcfh]bW' XYg' U' V]f]Yg]i a a Uf]m]cZYUW' Ui X]h]Vza d'Y]YXž Ucb[' k]h' Ub' cd]b]cb' cb' h.Y' Yj Y' cZUggi fUbW' [fUb]YX' Vm]h.Y' Ui X]h]c]f' 5''']b]YfbU' Ui X]h]fYdcf]g' UfY' V]V]U' U]YX' h' h.Y' fY' Yj Ubh 5gg]gh]Ubh 8]fYV]c]f' GYV]cb' % C Z]Wf' UbX' A cb]h]cf]b[' C Z]Wf' 5i X]h]fYdcf]g']bW' XY' Ub' f]d]b]cb]f]i []]b[' a UbU[Ya Ybh Ub']b]XYdYbXYbh]Uggi fUbW' ↑ X[Ya Ybh]cb' h.Y' UXYei U]V]m]UbX' YZYV]j YbYgg' cZ]b]YfbU' Vzb]fc' g''
- i' 5[fY]YX' U]V]cbg' Uf]g]b[' Zca ' U' Ui X]h]g' UfY' a cb]h]cf]YX' i g]b[' h.Y' Vzi bV]g] dYfZca UbW' Z]Ua Yk cf_ UbX' dYfZca UbW' a UbU[Ya Ybh Vza di hYf' gcZk UfY' fDYb]UbU' 5''' cj YfXi Y' Ui X]h] U]V]cbg' UfY' fYdcf]YX' h' CdYfU]cbU' A UbU[Ya YbhHYUa ' cb' U' a cb]h' m]VUg]g' h' UXX]h]cb' U' cj YfXi Y' U]V]cbg' Vzb]g]XYfYX' h' W' <] [\# YX]] a ' F]g_]f% / & E UfY']X]Ybh]Z]YX' cb' YI W]d]h]cb' fYdcf]g' UbX' gi VYV]h' h' YI Ua]b]U]h]cb' Vm]h.Y' 5i X]h]v' ' GHUbXUfXg' 7ca a]h.Y'' A Ya VYfg' Xc' W']b' cZ]W]fg' h' i dXU]Y' cb' Ui X]h]g' k]h' " dUf]U' " cf' " bc' " Uggi fUbW' UbX' \] [\]g_ U]V]cbg' k \]M' UfY' cj YfXi Y''
- i' H.Y' k cf_ cZ GK 5D']g' gi VYV]h' h' fY[i ' Uf' fYj]Yk ' Vm' h.Y' 7ci bV]g' YI hYfbU' Ui X]h]c]f]g' K \ YfY' Uddfc]d]f]U]Yž h.Y' YI hYfbU' Ui X]h]c]f]g' d'UW' fY]UbW' cb' GK 5D]g' k cf_ " H.Y' YI hYfbU' Ui X]h]c]f]g' d]fcj]YX' Ub' cd]b]cb' cb' h.Y' Ubbi U' GHU]Ya Ybh]cZ5W]i b]g' UbX' XU]U' ei U']m]'

i' ɸ c f X Y f' h c' [U] b' U g g i f U b W' Z c f' U' U f Y U g' c Z H Y' 7 c i b W' Z' U g' U i X] h g' W b b c h V Y' W f f] Y X' c i h Z c f' Y U W' Z b W' c b' Y j Y f m i n' Y U f' Z' U' a Y a V Y f g' c Z H Y' 7 c i b W' g' C d Y f U h' c b U' A U b U [Y a Y b h i H Y U a' U f Y' f Y e i] f Y X' h c' V t a d' Y H' U' G Y b] c f' A U b U [Y f g' 5 g g i f U b W' G H U Y a Y b h i c' f Y j Y k' H Y] f' U X' Y f Y b W' h c' H Y' [c j Y f b U b W' Z U a Y k c f' " 9 U W' f Y j Y k'] g' U g g Y g g Y X' V m i H Y' G Y W' c b' % % C Z W' f' Z c f' V t a d'] U b W' U b X' U b m U d d U f Y b h c f [U b] g U h' c b U'] a d f c j Y a Y b h g' U f Y'] b W' X Y X'] b' H Y' U W' c b' d' U b''

%\$" G= B= =7 5 BH =BH9 FB5 @7 CBHFC @-GGI 9G'

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ANNUAL GOVERNANCE STATEMENT 2022-23

1. SCOPE OF RESPONSIBILITY

Sedgemoor District Council (SDC) is responsible under the Local Government Act 1999 for ensuring the following;

- that its business is conducted in accordance with the law and proper standards,
- that public money is safeguarded and properly accounted for and
- for ensuring that all money expended is used economically, efficiently and effectively and in so doing ensures continuous improvement in the ways its services are delivered.

In discharging this overall responsibility, SDC, through its members and officers is also responsible for ensuring that there is a *sound system of internal control* in the delivery of its services and the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve priorities and objectives. It can provide only reasonable assurances that assets are safeguarded and that transactions are authorised and recorded properly & not absolute assurance of effectiveness.

The system of internal control is based on a framework of regular management information, standing orders, financial regulations, administrative procedures and processes, management supervision and a system of delegation and accountability. Development and maintenance of this system is undertaken by officers within the Council. The system of internal control is based on an ongoing process designed to identify, control and mitigate risks that may inhibit the delivery of the Council's main aims and objectives.

This system is currently in place for the year 2022/23 and will end with the end of Sedgemoor DC on 31st March 2023.

It comprises the following key elements –

- Compliance with established policies, procedures, laws and regulations
- Code of Corporate Governance
- Ensuring the economical, effective and efficient use of resources in achieving the Council's priorities
- Comprehensive financial and service planning process
- A corporate approach to risk management and equalities.

THE INTERNAL CONTROL ENVIRONMENT

3. COMPLIANCE WITH ESTABLISHED POLICIES, PROCEDURES, LAWS AND REGULATIONS

The statutory framework within which local authorities are required to operate is strictly adhered to by the Authority in all its business. The financial management arrangements are reviewed on an annual basis to ensure that they conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Section 151 Officer and Monitoring Officer are members of Management Team and involved in all key decisions and both are required to make comments on all reports submitted to committees to ensure compliance in all decisions taken. The legal section closely monitors all legislative and regulation changes and circulates regular updates to managers. The Monitoring Officer meets regularly with the Chief Executive and Chief Financial Officer (Section 151 Officer) specifically to discuss any legal or regulatory issues that may be of concern.

SDC has established whistle-blowing and fraud and corruption strategy and policy, details of which are published on the Council's intranet, which is accessible by all staff. The anti-fraud, theft, bribery and corruption policy and whistle-blowing policy have clear processes for officers to follow and are reviewed annually to ensure they are still up to date and fit for purpose. The Section 151 Officer has the Audit Client role and is responsible for commissioning investigations, if a potential fraud is suspected.

4. THE COUNCIL'S CONSTITUTION AND DECISION MAKING PROCESSES

The following bodies govern the Council.

SDC has a published Constitution that sets out its decision-making arrangements and the responsibilities for different functions. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals. The Council in response to the Covid 19 pandemic introduced virtual meetings to ensure the democratic process could continue. The Government provided guidance on how meetings should be conducted virtually until such a time as face to face meetings could resume. This Council implemented processes to ensure the decisions were still made following the requirements of the constitution. The temporary legislation brought in during the Covid pandemic ended 6th May 2021 and as such the Council has resumed face to face meetings where required for decision making.

There is also a robust budget and policy framework, and detailed financial regulations and contract procedure rules, which are monitored by the Section 151 Officer and Monitoring Officer. The constitution, financial regulations and contract procedure rules are reviewed annually, and considered by members of the Audit & Standards Committee and Council.

All reports are reviewed for legal and financial considerations, human resource implications, equality impact assessments, environmental and community safety implications, economic development implications and risk management, along with the link to the Council's corporate priorities prior to being presented to members for formal decision-making. The Section 151 Officer and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for Member decision comply with the budget and policy framework, in addition to compliance with legislation and regulations.

The Council

The Council is the body that collectively agrees the policies for the Authority, contributing to good governance and encouraging community participation and citizen involvement in decision-making

The Executive

The Executive is the committee charged with Governance within the Council. It has a published Timetable and Notice of Proposed Key Decisions to be taken and meets in public three times during an eight week period. This, together with an appropriate level of delegation to senior managers enables speedy decision-making. In addition to the regular Executive meetings a specific performance Executive is held quarterly. The Executive also has a Sub-Committee known as the Property Investment Board which makes decisions on the acquisition of Investment properties in line with the Council's Property Investment Strategy.

The Scrutiny Committees

Scrutiny of Executive decisions and performance is carried out through two scrutiny committees. Community Scrutiny primarily considers external issues impacting on the community, and Corporate Scrutiny focuses on internal issues. These committees can call in decisions made by the Executive before implementation; they also have the freedom to make recommendations on future policy options, and to

review the general policy and service delivery of the Council. A joint meeting of the members on the Scrutiny committees is held annually to review the Leaders High Level budget proposals.

The Audit and Standards Committee

The Audit & Standards Committee considers all internal and external audit reports, approve the Statement of Accounts and deal with regular governance issues. This committee has specific responsibility for risk management, equalities and treasury management. The committee will also have responsibilities regarding the operation of the Council's adopted Member Code of Conduct, for training Members in respect of the Code and assessing and investigating complaints against members of Sedgemoor District Council and Parishes in Sedgemoor. It also deals with various other matters designed to ensure that high ethical standards are maintained and promoted.

The Management Team

The Management Team includes the Chief Executive (Head of Paid Service), Deputy Chief Executive, Strategic Director (Section 151 Officer), Monitoring Officer, Corporate Relations Officer and six Assistant Directors. The team meets every week and provides the strategic direction of the Council in delivering Members' requirements. The Authority's performance is monitored against the items on the corporate dashboard. This includes high-level actions, operational actions, audit recommendations and performance indicators, all of which are also monitored on the Council's performance management system Pentana Performance. They have regular reports on the Council's strategic risk register and an annual report on the council's approach to delivery of it's equality objectives and responsibilities.

Wholly owned Companies

The Council also fulfils a governance role in relation to three companies that it wholly owns namely:-

Homes in Sedgemoor – A council wholly owned arms length management organisation which manages the Councils housing stock. The Company is a private company limited by guarantee without share capital. The Council has a Management Agreement with the Company which is overseen by the Council's Executive. In addition, the Board has three Council member representatives.

Aspen Housing and Development Limited – A Council wholly owned private limited company which manages private sector housing. The Company is overseen by the Executive and has three Council officer representatives on the Board.

Sedgemoor Group Limited - A Council wholly owned private limited company which is the parent company of Aspen Housing. The Company is overseen by the Executive and has two Council officer representatives on the Board.

5. CODE OF CORPORATE GOVERNANCE

The Code as approved in March 2016 is based on the Delivering Good Governance Framework which suggests that Authorities have 4 key roles:

- To engage in effective partnerships
- To ensure the delivery of high-quality local services whether directly or in partnership or by commissioning
- To perform a stewardship role which protects the interests of local people and makes the best use of resources
- To develop citizenship and local democracy

The Council recognises that the six core principles of Good Governance are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

6. ENSURING THE ECONOMICAL, EFFECTIVE AND EFFICIENT USE OF RESOURCES IN ACHIEVING THE COUNCIL'S PRIORITIES

The Council last updated its Corporate Strategy in September 2021. Sedgemoor still remains determined to keep Council Tax low, it is committed to addressing the economic challenges that face the residents and businesses in the district, and is a performance led organisation that delivers good public services, good value for money and effective leadership. The strategy is based on delivery of programmes being, Customers & Efficiency, Housing, Health and Wellbeing and Growth and Infrastructure. The Corporate Strategy gives a clear lead for financial and service planning decisions. The priorities identified in the strategy are:

Customers & Efficiency

We will do all we can to ensure our activities are managed effectively and efficiently, in order to keep standards high and protect the essential services people of the district value. We remain committed to low Council Tax and high performance.

Housing, Health & Wellbeing

Housing is a real challenge for Sedgemoor - we will work hard to provide affordable and decent housing through a planned development programme working with partners to maximise the outcomes. This priority along with the overall Council aspirations supports improved health and quality of life for every resident in the district.

Growth & Infrastructure

We are committed to working with residents and businesses to grow the local economy to ensure the district can benefit and prosper from the growth. This priority theme includes working with external partners to deliver the Hinkley programme, Parrett Barrier and to secure sustainable funding for the flooding issues.

7. COMPREHENSIVE FINANCIAL AND SERVICE PLANNING

The Corporate Strategy is the Council's key planning document which is intrinsically linked to the Medium Term Financial Plan and the Housing Revenue Account Business plan.

All performance targets, priority outcomes, operational actions, service standards, key programme actions and audit actions are now managed by use of the Council's adopted computerised performance management system (Pentana), which allows officers and members to interrogate and report on their targets at any time. Reporting functionality within this system allows senior managers and members to track performance within their services and identify where specific projects or performance targets assigned to specific staff have slipped.

The Council produces an initial Medium Term Financial Plan (MTFP) in September and a full MTFP in November. This provides the parameters within which budgets will be set and managed over a five year period. The plan takes account of anticipated changes to funding, legal requirements and performance targets along with the local aspirations as captured within the Corporate Strategy and gained through annual budget consultation. This Council has continued with the managed use of balances strategy approved in 2012 in order to deliver a balanced budget in the medium term. To mitigate the impacts of the economic climate and significant reductions in Government funding Sedgemoor built up its general fund balances in excess of the minimum £1.5 million. This has assisted with the managed use of balances strategy which spreads the reductions over a five year period rather than significant reductions in one year. When the budget is approved it includes a five year plan of reductions/increased income needed to deliver a sustainable medium term budget. The Council has continued with these initiatives and the plan along with the figures have been updated where appropriate.

The Government's decision to create one unitary Council for Somerset was announced in July 2021, this has an impact on the production of the MTFP. The final plan for Sedgemoor District Council has been produced for the period up to 31st March 2023

The Council produces a five-year capital strategy, which sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. As from 1 April 2018 the Prudential Code for Capital Finance in Local Authorities introduced a framework requiring capital expenditure plans to be affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and full understanding of the risk. The Capital Strategy is the overarching document which is supported by the Treasury Management strategy and these documents were approved by Council in March 2022.

8. A CORPORATE APPROACH TO RISK MANAGEMENT

The Risk Management Strategy is reviewed every 2 years. The policy is designed to set the approach the Council will take identifying, scoring and managing the risks of the Council. The strategy clearly sets out roles and responsibilities across the Council as follow

- Operational Management Team - responsible for strategic risks, which is a risk score of 16 or above, across the Council as a whole. These are reviewed every month in line with the Strategy.
- Assistant Directors - responsible for the operational risks, which are risks with a score of 15 or less within their service area. These are reviewed every quarter in line with the Strategy
- Audit and Standards Committee - oversee the risk registers of the Council, and receive a 6 monthly report on the registers, the updated strategy and any other relevant information
- *Staff – responsible for raising issues, which upon investigation, could become a risk for the Council*

The Risk Management Strategy was last reviewed by Sedgemoor in September 2021, with the new Somerset Council strategy being signed off in December 2022.

All committee reports are required to include a risk management matrix detailing the impact, probability, implications and mitigating actions, as are bids for additional funding or proposals to reduce costs. The Council has made significant progress in this area and a risk-based approach is used for all decision-making and service delivery. The Council has also developed a robust approach to risk management at programme level. There are now monitored risk registers for both Customer Access and Hinkley with ongoing work to develop one for the housing programme board.

All risks are monitored through the Council's performance management systems, Pentana and by using this system we have been able to build a history of the risks the council has faced and continue to face.

The internal audit plan was developed by the Council's internal auditors, South West Audit Partnership

(SWAP) along with the Section 151 Officer and Operational Management Team using a risk based approach.

9. REVIEW OF EFFECTIVENESS

The Section 151 Officer has the responsibility for conducting on behalf of SDC, at least annually, a review of the effectiveness of the system of internal control. This is reported to members of the Audit & Standards Committee who are responsible for both internal and external audit issues. This review is informed by:

- Internal Audit's annual opinion report
- the internal audit review;
- external auditors' reports;
- Annual Governance Review – Senior Managers Assurance Statements; and
- reports to the Audit & Standards committee during the year;

The process that has been applied to maintaining and reviewing the effectiveness of the governance framework includes;

- The Monitoring Officer has a duty to monitor and annually review the Constitution.
- The Section 151 Officer has the responsibility for reviewing the financial regulations and reporting annually to members.
- The Council has a call in process, which allows any decision made by the Executive to be called in before implementation. This does however need to be in line with the Constitution.
- The Audit & Standards Committee approves the Annual Statement of Accounts, the Annual Governance Statement and the Review of Internal Audit. It receives regular reports from both internal and external audit.
- The Council's internal audit function is provided via an agreement with SWAP. The internal audit function operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. SWAP is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate the audit plan, it is put together by the Section 151 Officer and Assistant Director (SWAP) and considered by the Operational Management Team and approved annually by the Audit & Standards Committee.
- A quarterly report is submitted to members of the Audit & Standards Committee. The report includes a brief summary of each audit completed, along with an opinion on the level of assurance granted by the auditor. All internal audit reports are circulated to the relevant Assistant Director, Section 151 Officer and Monitoring Officer. Audit reports include an 'opinion' giving management an independent assurance judgement on the adequacy and effectiveness of internal controls.
- Agreed actions arising from all audits are monitored using the council's performance framework and performance management computer software (Pentana). All overdue audit actions are reported to Operational Management Team on a monthly basis. In addition all overdue actions considered to be High/Medium Risk (1 & 2) are identified on exception reports and subject to examination by the Audit & Standards Committee. Members do call in officers to update on audits with "partial" or "no" assurance and high risk actions which are overdue.
- The work of SWAP is subject to regular review by the Council's external auditors. Where appropriate, the external auditors place reliance on SWAP's work. The external auditors provide an opinion on the annual Statement of Accounts and data quality.

- In order to gain assurance for all areas of the Council, as audits cannot be carried out for each function every year, all members of the Council's Operational Management Team are required to complete a Senior Managers Assurance Statement to review their adherence to the governance framework. Each review is assessed by the Section 151 Officer for compliance and any apparent organisational improvements are included in the action plan.

10. SIGNIFICANT INTERNAL CONTROL ISSUES

During the year the Assistant Director (SWAP Internal Audit Services) as part of the quarterly progress reports has highlighted control issues identified during audits to the members of the Audit & Standards Committee. The opinion of the SWAP Assistant Director is that an overall judgement of 'Reasonable Assurance' should be given, based on the balance of audit work and the assurance levels provided, profile of each audit and outcomes together with the response from Senior Management who have a commitment to address findings and open to requesting audits in high risk areas.

In 2022/23 18 reviews have been delivered 17 are at final stage and 1 in progress. The plan is always flexible so it can respond to the changing environment, due to the impact of LGR, the plan changed with a number of audits dropped to direct resources to additional work. The delivery for 2022/23 included 10 advisory audits which is a higher percentage than in normal years but the findings have been valuable for assisting with areas such as Unitary preparedness, fraud review and advice.

The following levels of assurance were achieved for those audits;

Assurance Level	Number of Audits
Substantial	0
Reasonable	6
Limited	0
No Assurance	0
Advisory/Follow up	11
In Progress	1
Total	18

The advisory work is in addition to the opinion-based work where Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

If any of the Priority 1 or 2 actions become overdue they will be reported to the members of the Audit & Standards Committee. All overdue audit actions are reported to Management Team who monitor them quarterly. The process in place for audit actions ensures that actions continue to be monitored closely until they are complete. All audits have an agreed action plan and all actions are monitored through the performance management system. All audits receiving a limited assurance will have a follow up audit within 6 to 12 months and this is built into the 2022/23 audit plan.

Progress on Actions in 2021/22 Annual Governance Statement

Issue/Project	Owner	Progress
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Ensure all Documents are stored in compliance with GDPR	Melanie Wellman	Ongoing
Development of the Enterprise Zone (Gravity), including Business Rates Retention and implementation process	Stuart Houlet	Complete
Assess and put in place resource requirements for delivering single unitary and maintaining business as usual.	Bob Brown	Complete
Continue to monitor the service and performance provided by the Waste and Recycling Contractor along with SWP	Sarah Dowden	Ongoing

The Government approved the business case for a single unitary in Somerset in July 2021. Since that decision was made Sedgemoor District Council have been working with the other four councils in Somerset to ensure the New Council is delivered by vesting day 1st April 2023. As such the attention has been on delivering LGR and maintaining Business as Usual. The LGR Programme has involved a significant number of officers from all 5 Councils working within workstreams to deliver a safe and legal unitary Council commencing 1st April 2023.

Signature of the Chief Executive (Bob Brown)

Date 24th March 2023

Signature of the Leader of Council (Duncan McGinty) Date 24th March 2023

REPORT TO: Audit & Standards Committee

DATE: 24th March 2023

SUBJECT: The Council's Annual Governance Statement 2022/23

REPORTING OFFICER: Alison Turner, Strategic Director (Section 151 Officer)

CONTACT: Alison Turner
Alison.turner@sedgemoor.gov.uk

PORTFOLIO HOLDER: Cllr. Duncan McGinty

WARD: All

EXECUTIVE SUMMARY

To present to members, the Annual Governance Statement (AGS) for 2022/23 for approval. In order to meet the requirements of Regulation 4(2) of the Accounts and Audit Regulations, the Responsible Finance Officer (Section 151 Officer) is required to carry out at least annually a review of the effectiveness of the organisations internal control.

Recommendation;

Members are recommended to consider the content of and approve the Annual Governance Statement as attached at Appendix A.

1. Purpose of Report

To present to Members the Council's Annual Governance Statement and seek approval thereof.

2. Background

In order to meet the requirements of Regulation 4(2) of the Accounts and Audit Regulations the Section 151 Officer is required to conduct a review at least once a year of the effectiveness of its system of internal control. The AGS is included as part of the Statement of Accounts as it is a key supporting document.

This is evidenced within the Annual Governance Statement where the authority meets with best practice. The statement also reflects the compliance with the "Statement on the Role of the Chief Finance Officer in Local Government (2016) and the CIPFA statement of the Role of the Head of Internal Audit (2010)."

Members are required to approve the Annual Governance Statement separately from the Annual Accounts. The AGS is signed by the Chief Executive and Leader of the

Council. The framework used for this review is attached at Appendix A.

The statement also reflects the Public Sector Internal Audit Standards (PSIAS) introduced on the 1st April 2013 and those standards are now reflected in the Audit Charter. The standards also require a Quality Assurance and Improvement Programme which has been included within the Review of Internal Audit report.

The Annual Governance Statement (AGS) should include the following information;

- a) An acknowledgement of responsibility for ensuring there is a sound system of internal control.
- b) An indication of the level of assurance that the system of internal control can provide.
- c) A brief description of the key elements of the internal control environment.
- d) A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control.
- e) An outline of the actions taken, or proposed, to deal with significant internal control weaknesses.

3. **Current Position**

In line with the requirements of the regulations a review of internal control has been undertaken by the Council's Section 151 Officer and the context and finding of this are captured in the Annual Governance Statement, which is attached in Appendix A.

The AGS has been reviewed in consultation with the Council's Monitoring Officer and Equalities and Risk Manager. There are no significant changes made to the AGS, the list of issues/projects that are likely to impact on the Council's governance arrangement during the year has been updated for progress in 2021/22. However, due to the New Somerset Council commencing 1st April 2023 there are no additional issues identified as these will be part of the governance review for the single unitary . It will be the role of the Audit & Standards Committee to ensure that adequate governance arrangements are put in place to mitigate any risks. The Statement as attached provides details of how this authority manages it's business in order to comply with laws and regulations and it's own Code of Corporate Governance.

Section 10 of the Statement outlines if there were any significant internal control weaknesses highlighted during the audits. During the year the Assistant Director (SWAP) reported on control issues raised during audits to members of the Audit & Standards Committee.

In 2022/23 18 reviews have been delivered 17 are at final stage and 1 in progress. The plan is always flexible so it can respond to the changing environment, due to the impact of LGR, the plan changed with a number of audits dropped to direct resources to additional work. The delivery for 2022/23 included 10 advisory audits which is a higher percentage than in normal years but the findings have been valuable for assisting with areas such as Unitary preparedness, fraud review and advice.

The following levels of assurance were achieved for those audits;

Assurance Level	Number of Audits
Substantial	0
Reasonable	6
Limited	0
No Assurance	0
Advisory/Follow up	11
In Progress	1
Total	18

The advisory work is in addition to the opinion-based work where Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

If any of the Priority 1 or 2 actions become overdue they will be reported to the members of the Audit & Standards Committee. All overdue audit actions are reported to Management Team who monitor them quarterly. The process in place for audit actions ensures that actions continue to be monitored closely until they are complete. All audits have an agreed action plan and all actions are monitored through the performance management system. All audits receiving a limited assurance will have a follow up audit within 6 to 12 months and this is built into the 2022/23 audit plan.

The second part of section 10 includes strategic high level risk issues/projects which could have an impact on the Council's governance arrangements. The actions for 2021/22 have been updated for progress. Due to the New Council commencing 1st April 2023 there were no actions included for 2022/23 as the resources were directed to delivering a safe and legal unitary by vesting day and maintaining business as usual.

4. **Action Plans**

In order to ensure that any control weaknesses are addressed effectively action plans are prepared and implemented. Action plans are in place for the weaknesses identified in all audits as detailed in Appendix A, Section 10. The actions are monitored through Pentana and also reported to The Council's Management Team and members of the Audit & Standards Committee if they are high risk and become overdue.

5. **Equalities Impact Assessment**

1. Does the proposal, policy, application or function affect employees or protected groups?	No
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2. Does it help the council meet our general equality duties, if so how:	No
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6. Link to Corporate Priorities

The development of an Annual Governance Statement and effective use of that statement goes to the heart of good management which underpins all the Council's Corporate Strategy.

7. Risk Management Implications

The risks are;

Risk	Consequence	Probability	Impact	Treatment
Not having adequate controls in place	The Council could suffer financial loss and risk to its reputation.	1	5	The Council needs to continue to monitor internal controls
Not completing actions from audit plans	The Council could suffer financial loss	2	5	The audit actions are monitored through the covalent system. Outstanding actions are reported quarterly to the Audit & Standards Committee

8. Comments of the Section 151 Officer

All the necessary comments are covered in the body of the report.

9. Comments of the Monitoring Officer

10. There is a statutory obligation on the Council to comply with the Accounts and Audit Regulations 2003 as amended in 2006 and so to provide an Annual Governance Statement. The Council's Annual Governance Statement is a key Corporate Governance Risk tool that ensures that issues of control are monitored and addressed through the year.

11. Conclusion

The Statement has been compiled based on the findings of a range of audit reports over the last twelve months.

All senior management have completed an Annual Governance Review form confirming they understand and follow the Council's internal control framework and where appropriate have implemented recommendations to address control weaknesses.

The Statement is now presented to Members for approval, as detailed in Appendix A.

12. Background Papers

Internal Audit Reports

External Audit Reports

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AUDIT COMMITTEE WORK PROGRAMME MAY 2023 - MARCH 2024

24th August 2023	
Internal Audit update from SWAP	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified
External Audit Plan and Sector Update	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
Risk Management Update	To Review the Somerset Council Strategic Risk Register
28th September 2023	
Statement of Accounts 22/23	To approve both the 2022/23 statement accounts for predecessor councils (MDC)
26th October 2023	
Statement of Accounts 22/23	To approve both the 2022/23 statement accounts for predecessor councils (SSDC, SW&T)
Internal Audit update from SWAP	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified
External Audit Plan and Sector Update	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
Risk Management Update	To Review the Somerset Council Strategic Risk Register
25th January 2024	
Statement of Accounts 22/23	To approve both the 2022/23 statement accounts for predecessor councils (SDC, Pension Fund, SCC)
External audit Annual Findings reports 22/23	To consider the matters raised in Grant Thornton's Annual Audit Findings reports for both Somerset Council and Somerset Pension Fund 22/23
Internal Audit update from SWAP	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified
External Audit Plan and Sector Update	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
Risk Management Update	To Review the Somerset Council Strategic Risk Register

MTFP Reports 2024/2025	To review the Medium Term Financial Plan Policies for 24/25 including Treasury Management, Non-Treasury Management, Capital Strategy, Flexible Capital Receipts, MRP Statement.
28th March 2024	
Internal Audit update from SWAP	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified
Internal Audit Plan and Charter 2024-25	To review and approve the internal audit plan for 2024-25
External Audit Plan and Sector Update	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
Risk Management Update	To Review the Somerset Council Strategic Risk Register
30th May 2024	
Annual Report to Council	To approve the Committee's Annual report to Full Council
Anti-Money Laundering, Anti- Fraud and Corruption, Anti-Tax Evasion, and Anti-Bribery Policies	To review the Anti-Money Laundering, Anti-Fraud and Corruption, Anti-Tax Evasion, and Anti-Bribery Policies
Internal Audit update from SWAP	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified
External Audit Plan and Sector Update	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
Risk Management Update	To Review the Somerset Council Strategic Risk Register