

**ANNEX 5**  
**SOMERSET ANNUAL GOVERNANCE STATEMENT**  
**GOVERNANCE & INTERNAL CONTROL AREAS FOR IMPROVEMENT**

Interim External Auditor Annual Report 2022/23 (reported to Audit Committee in January 2024)

Somerset County Council and the four former district councils had an effective internal audit function in place for 2022/23, which was undertaken by SWAP. The Audit Plan was substantially delivered for each of the councils by March 2023 and this work informed the Head of Internal Audit's Annual Opinion. The County Council and the district councils all received a 'Reasonable Assurance' opinion for the overall control environment for 2022/23.

**2023/24 Priority ratings for action by Somerset Council 2024/25:**

Priority 1	Fundamental to the integrity of the organisation's policies and processes that require immediate attention
Priority 2	Important findings that need to be resolved
Priority 3	Finding that requires attention

**2023/24 Summary of findings that require action by Somerset Council 2024/25 :**

Priority 1	9	By end Q2 24/25*
Priority 2	41	By end Q4 24/25*
Priority 3	15	By end Q2 25/26*

- - dates set by Statutory Officers Board

Issue Reference	Issue	Priority	Source
	<b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>		
GOV 23-24/A1	Improve awareness of Members' Code of conduct to aid governance and assist in reducing complaints about Somerset Council's councillors	Priority 3	Somerset Council – Statutory Officer Board
GOV 23-24/A2	Improve awareness of Code of conduct to aid governance and assist in reducing complaints about City, Town and Parish Councillors. Target those councils with higher levels of complaints.	Priority 3	Somerset Council – Statutory Officer Board
GOV 23-24/A3	Proper Officer list and functions in the Constitution needs to be regularly reviewed and updated as a result of staff changes and Organisational Change for accountability and empowerment for delivery of statutory duties	Priority 2	Somerset Council – Constitution Review
GOV 23-24/A4	Need to improve governance and communication of workforce policy and associated guidance, including embedding new ways of working.	Priority 2	Somerset Council – CLT feedback
GOV 23-24/A5	Significantly improve contract management to embed standard contract management activity and adherence to Contract Procedure Rules.	Priority 2	External Audit (Jan 24) Somerset Council and Auditor Report (30/5/24) KR 7
GOV 23-24/A6	Embed, evaluate understanding and compliance with organizational values and behaviours for existing and new members of staff  Embed organization values and behaviours into relevant council policies and HR policies	Priority 2	Somerset Council – CLT feedback

Issue Reference	Issue	Priority	Source
GOV 23-24/A7	Improve positive use of the capability and disciplinary processes along with embedding programme of induction for existing and new members of staff on values and behaviours and Officer Code of Conduct	Priority 3	Somerset Council – CLT feedback
GOV 23-24/A8	Improve quality and evidence in decision making reports of compliance and delivery of Council Plan priorities, risk management and approved 2023/24 budget as well as evidence based decision making with data and consultation findings	Priority 2	Somerset Council – CLT feedback and Statutory Officer Board
GOV 23-24/A9	Culture of organization needs to be more focused on change and improvement to deliver Improvement and Transformation Programme and MTFP 2024/25 priorities	Priority 2	Somerset Council – CLT feedback
GOV 23-24/A10	Need to improve compliance across the organisation with undertaking regular line management meetings and staff appraisals to ensure performance and focus of resources is being directed to deliver priorities	Priority 2	Somerset Council- CLT feedback
GOV 23-24/A11	Improve awareness amongst staff, members and the public of the Council's Whistleblowing Policy and Anti-Fraud & Corruption policy	Priority 3	External Audit (Jan 24)  Somerset Council and Internal Audit Plan 2023/24
GOV 23-24/A12	Statement of Accounts 2022/23 and Annual Governance Statement 2022/23 and Action Plans from five legacy councils not completed within statutory deadlines	Priority 2	Somerset Council – Statutory Officer Board
GOV 23-24/A13	Lack of evidence that Somerset Council has published a Workforce Equalities Report for 2022/23 in accordance with the Equalities Act 2010 (Specific Duties and Public Authorities) Regulations which requires all employers of 250 or more employees to publish their results against prescribed indicators of gender pay equality	Priority 2	Somerset Council – Legal Requirement

Issue Reference	Issue	Priority	Source
GOV 23-24/A14	Insufficient capacity and staff are suitably trained in order to respond to Ombudsman investigations completely and within agreed timescales	Priority 2	Interim External Audit Annual Report (Jan 24)

Issue Reference	Issue	Priority	Source
<b>B. Ensuring openness and comprehensive stakeholder engagement</b>			
GOV 23-24/B1	Evaluate MTFP 2024/25 development, consultation and governance processes and timetable prior to finalising 2025/26 development and timetable with a focus on improving public consultation and scrutiny involvement at early stages in the process ahead of savings proposals being finalised	Priority 2	Somerset Council – Statutory Officer Board
GOV 23-24/B2	Limited publication of officer decisions on Council’s website other than key decisions and risk that Council not able to transparently demonstrate it is complying with decision making process requirements for Officer decision making.	Priority 2	Somerset Council – Constitution Review
GOV 23-24/B3	Limited assurance on review of promotion, awareness, integration and better use of Customer Panel with Council’s governance arrangements to demonstrate how feedback and influence of scrutiny, decision making, service delivery and development of Council Plan and MTFP 2025/26	Priority 2	Somerset Council – CLT feedback
GOV 23-24/B4	No overall evaluation or assessment of learning from complaints about organisation’s performance. This should form the basis of an annual report to Scrutiny and Executive.	Priority 3	Somerset Council – CLT feedback
GOV 23-24/B5	Limited evidence of evaluation of communications strategy and activity so that it is being focused on delivery of Council priorities and Improvement & Transformation Programme	Priority 3	Somerset Council – CLT feedback
GOV 23-24/B6	Limited assurance on evidence and systems for how service user and partner consultation informs and influences policy development, MTFP and Improvement & Transformation Programme	Priority 2	Somerset Council – CLT feedback

Issue Reference	Issue	Priority	Source
	<b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>		
GOV 23-24/C1	Limited assurance on how Internal Governance arrangements ensure they are streamlined to avoid duplication and focus available resources on the Council's priorities	Priority 2	Somerset Council – Statutory Officer Board
GOV 23-24/C2	Limited evidence that Council Plan has been reviewed during 2023/24 in response to creation of Somerset Council and financial emergency	Priority 1	Somerset Council – CLT feedback
GOV 23-24/C3	Lack of Council Business Plan for 2023/24 and no action plan for Council Plan to set out clearly delivery of actions, timescales and accountability	Priority 1	Somerset Council - CLT feedback
GOV 23-24/C4	Limited assurance that service plans were in place for 2023/24 for all services to clearly set out service priorities and resources to deliver Business Plan and Council Plan priorities	Priority 1	Somerset Council - CLT feedback
GOV 23-24/C5	Existing regeneration and place shaping governance has been inherited from five legacy councils and need to put in place effective governance arrangements and plans to meet Somerset Council's priorities	Priority 3	Somerset Council – CLT feedback
GOV 23-24/C6	Following Government announcements in late 2023/24 need clear plan and timetable to develop and secure approval to Gravity Investment Plan with consequential amendments to approved Treasury Management Strategy 2024/25	Priority 1	Somerset Council – MTFP 24/25
GOV 23-24/C7	Need to clarify timetable and governance for creation of single Local Development Plan for Somerset Council to replace existing local plans	Priority 3	Somerset Council – Statutory Officer Board

Issue Reference	Issue	Priority	Source
	<b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b>		
GOV 23-24/D1	HR policies need to be reviewed and updated to ensure they reflect the needs of the business and the Transformation Programme.	Priority 2	Somerset Council – CLT feedback
GOV 23-24/D2	Approval secured for Asset Management Strategy and Capital Investment Strategy in 2023/24 now need to evidence these are embedded and implementation programmes deliver in 2024/25 to support future transformation, place shaping ambitions and MTFP 2024/25	Priority 1	Somerset Council – MTFP 24/25
GOV 23-24/D3	High level strategic approval to Improvement and Transformation Programme in late 2023/24 but need to quickly develop and implement targets and actions for 2024/25 to support organisation vision and deliver MTFP 2024/25 with appropriate member scrutiny and approvals	Priority 1	Somerset Council – MTFP 24/25
GOV 23-24/D4	Limited evidence of co-ordinated strategic approach to how the Council is maximizing its involvement and use of external partnership opportunities that will help take Somerset forward i.e. Town Deals, Regeneration Boards, Local Enterprise Partnership transition, etc.	Priority 2	Somerset Council – CLT feedback
GOV 23-24/D5	Need for greater oversight by Scrutiny and reporting to Executive on the evidence of Adults Services governance oversight: operational compliance, continued ability to deliver statutory duties, delivery of demand led services within 2024/25 budget envelope and the transition from Children’s to Adults Services provision.	Priority 2	Somerset Council – MTFP 24/25
GOV 23-24/D6	Regular oversight by Scrutiny and reporting to Executive on the delivery and management of Dedicated Schools Grant Deficit Management Plan	Priority 2	Somerset Council and Audit Report (30/5/24) KR5

Issue Reference	Issue	Priority	Source
GOV 23-24/D7	Improve evidence and transparency at Executive and Scrutiny of Council's strategic leadership role in relation to schools, improving quality of education outcomes and provision of school places	Priority 2	Somerset Council – CLT feedback
GOV 23-24/D8	Need for greater oversight by Scrutiny and reporting to Executive on the evidence of Childrens Services governance oversight: operational compliance, continued ability to deliver statutory duties, delivery of demand led services within 2024/25 budget envelope and the transition from Children's to Adults Services provision.	Priority 2	Somerset Council – MTFP 24/25
GOV 23-24/D9	Better benchmarking against peer councils needed to help compare Key Performance Indicators 2024/25 and to regularly report this to Scrutiny and Executive as Council is mainly benchmarking against itself and previous performance of legacy councils	Priority 2	Somerset Council – Statutory Officer Board
GOV 23-24/D10	Limited assurance regarding CLA Placements Contract and Procurement	Priority 1	Internal Audit Plan 2023/24



Issue Reference	Issue	Priority	Source
	<b>E. Developing the Council's capacity, including the capability of its leadership and the individuals within it</b>		
GOV 23-24/E1	Somerset Board was established in 2023/24 but limited assurance of effective governance of the next phase of health and social care integration and the Board's effectiveness	Priority 2	Somerset Council – statutory officer board
GOV 23-24/E2	Further improvements needed to consistent and prioritized delivery of internal training and development programmes for staff and elected members to support delivery of the Council's priorities, essential services and the Improvement & Transformation Programme	Priority 3	Somerset Council – CLT feedback
GOV 23-24/E3	Lack of a clear workforce plan for the organisation	Priority 2	Somerset Council – CLT feedback
GOV 23-24/E4	Limited evaluation of the impact of leadership and development programmes on staff retention and performance	Priority 3	Somerset Council – CLT feedback

Issue Reference	Issue	Priority	Source
	<b>F. Managing risks and performance through robust internal control and strong public financial management</b>		
GOV 23-24/F1	Limited evidence of strategic and co-ordinated approach to commissioning, procurement and contract management	Priority 2	Somerset Council
GOV 23-24/F2	Need for greater assurance on the robust governance and delivery of the Capital Programme, including major infrastructure projects across Highways and Education services	Priority 2	Somerset Council
GOV 23-24/F3	Lack of evidence that Council has undertaken its own assurance review and has capacity to support the delivery of the anticipated DLUHC External Assurance Review in order to secure the Capitalisation Direction that is needed for its financial sustainability	Priority 2	Somerset Council
GOV 23-24/F4	Service planning, performance, risk management and budget monitoring are not integrated or reported consistently and regularly to ELT, CLT, Scrutiny and Executive which affects member and senior manager oversight and prioritisation of actions	Priority 2	Somerset Council
GOV 23-24/F5	Limited evidence in 2023/24 that strategic risk register, operational risks, risk scoring matrix and risk management strategy supports delivery of council priorities and internal control for financial emergency with regular reporting and management action through ELT, CLT, Scrutiny and the Executive	Priority 2	Somerset Council
GOV 23-24/F6	Limited evidence of reporting to Audit Committee during 2023/24 at least six monthly on progress with delivery of actions within the AGS Action Plan	Priority 2	Somerset Council

Issue Reference	Issue	Priority	Source
GOV 23-24/F7	Limited evidence that Audit Committee considers any reports received during from external inspection agencies that raise matters of concerns regarding governance, risk management and internal control and the management response to these	Priority 3	Somerset Council
GOV 23-24/F8	Limited assurance of annual review and that robust arrangements in place for business continuity across all services	Priority 2	Somerset Council
GOV 23-24/F9	Limited assurance of annual review and that robust arrangements in place for health and safety compliance across all services. Limited regular oversight by ELT, CLT, Scrutiny and Executive of Health & Safety issues and mitigations	Priority 1	Somerset Council
GOV 23-24/F10	Lack of evidence of a strategy and an Ethics Board or body accountable for reviewing the Council's use or proposed use of Artificial Intelligence to support delivery of its services and cost efficiencies	Priority 3	Somerset Council
GOV 23-24/F11	Limited assurance of financial controls assessment post 1 April 2023	Priority 1	Internal Audit Plan 2023/24
GOV 23-24/F12	Limited assurance of Schools Financial Value Standard (SFVS)	Priority 2	Internal Audit Plan 2023/24
GOV 23-24/F13	Limited assurance regarding housing landlord health and safety compliance (fire safety)	Priority 2	Internal Audit Plan 2023/24
GOV 23-24/F14	Limited assurance regarding direct payments (Adults)	Priority 2	Internal Audit Plan 2023/24

Issue Reference	Issue	Priority	Source
GOV 23-24/F15	Assurance on delivery of developing and delivering mitigating actions to manage demand and costs in relation to Adults Services	Priority 2	External Audit (Jan 24) Auditor Report (30/5/24) KR1a-1&a-2
GOV 23-24/F16	Assurance on delivery of developing and delivering mitigating actions to manage demand and costs in relation to Childrens Services	Priority 2	External Audit (Jan 24) Auditor Report (30/5/24) KR1b-1&b2
GOV 23-24/F17	Assurance on delivery of implementing the Transformation Programme at scale and pace in order to address the significant structural budget deficit	Priority 2	External Audit (Jan 24) Auditor Report (30/5/24) KR2
GOV 23-24/F18	Assurance on delivery of proper governance arrangement being in place to oversee the disposal of commercial investment property portfolio following Council decision to dispose of these investments	Priority 2	External Audit (Jan 24) Auditor Report (30/5/24) KR3
GOV 23-24/F19	Assurance on ensuring that General Fund and Earmarked Reserves are maintained at prudent levels in order to provide financial resilience	Priority 2	External Audit (Jan 24) Auditor Report (30/5/24) KR4
GOV 23-24/F20	Assurance on governance continuing to develop the functionality of the Microsoft Dynamics finance system and resolve outstanding processes at pace to ensure that the system supports efficient and accurate financial reporting	Priority 2	External Audit (Jan 24) Auditor Report (30/5/24) KR6

Issue Reference	Issue	Priority	Source
	<b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>		
GOV 23-24/G1	Need for more clarity and improvements in how council performance can be communicated regularly to Executive, Scrutiny and the public to deliver maximum openness and transparency, including financial information as part of this.	Priority 3	Somerset Council
GOV 23-24/G2	Multiple co-opted member vacancies on scrutiny and audit committees affecting the effectiveness and independent constructive challenge	Priority 3	Somerset Council
GOV 23-24/G3	Review and evaluate the focus and effectiveness of Scrutiny Committees on influencing delivery of Council Plan Priorities, MTFP 2024/25 development and the Transformation Programme	Priority 3	Somerset Council
GOV 23-24/G4	Assess progress in delivery of services within available resources against the statutory guidance on the Best Value duty	Priority 2	Somerset Council