



Update on Improving Environmental Services and Corporate Governance

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Purpose of the Report

1. To further update the Audit Committee on the actions taken and progress made in response to the recommendations made following two independent investigations which took place in relation to the whistleblowing letter received in April 2021.

Forward Plan

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

Public Interest

3. There was local and national public interest in the issues surrounding the independent investigations. It is in the public interest to report on the recommendations and progress being made to address them.

Recommendation

4. It is recommended that the Audit Committee:
 - a) consider and comment on the progress that has been made in addressing the recommendations and the further planned actions.

Background

5. On 22nd April 2021, the Leader of the Council and the former Chief Executive received a whistleblowing letter about the conduct of a number of council officers.
6. The former Chief Executive commissioned the SWAP Internal Audit Counter Fraud team to conduct a fact finding investigation into the allegations. As a result



of the findings from SWAP, the allegations were further investigated, and on 29th June 2021 in line with the Council's Disciplinary Process and the Council's Constitution, Mr Richard Penn was appointed as an Independent Investigator to conduct a disciplinary investigation into the former Director of Commercial Services and Income Generation.

7. The SWAP Counter Fraud Team continued investigating activities which related to policies and procedures within the Environmental Services Team, mainly at the Lufton Depot. A report was finalised on this in September 2021 and presented to the Director of Strategy, Support & Environmental Services.
8. Mr Penn presented his report to the Chief Executive in September 2021. A disciplinary process into the allegations against the former Director of Commercial Services and Income Generation followed, resulting in her summary dismissal.
9. In relation to the focussed investigation into issues in the Environmental Services team, it became apparent that there were several control weaknesses, which if left untreated could put the council at risk.
10. SWAP also identified instances where procedures and controls had been disregarded or bypassed, some of which negatively impacted the Council. These examples of disregard for Council policy were indicative of wider cultural changes needed within the service area.

Key Recommendations made

11. In addition to the findings about the behaviour of the former Director of Commercial Services and Income Generation, Mr Penn also found areas of corporate governance requiring improvement. He made the following recommendations.
 - a) The Council's policy on allowing senior managers and other employees to own and manage businesses or take on other paid work should be reviewed and clarified both at interview and in the conditions attached to appointment.
 - b) The Council's Code of Conduct should clarify and strengthen the provisions in respect of declarations of interest for gifts and payments in kind and for the declaration of related party transactions. Employees need to be clear what needs to be declared, when and to whom.
 - c) Training on the Code of Conduct (including the Principles of Public Life) should be compulsory for all staff as part of their induction, and should be refreshed when necessary, potentially on a yearly basis.
 - d) The Council's policy on allowing staff and elected members to use Council resources such as (but not limited to) the facilities at the Lufton Depot for their own benefit should be reviewed and strengthened, and the systems for



invoicing and recording payment for such work should be similarly reviewed and strengthened.

- e) Agency contracts and suppliers should have to go through a procurement process and should be part of a preferred supplier list to ensure that personal relationships and any other connections are declared centrally. The use of agency and contractors at SSDC should be reviewed to ensure that the allocation of funds are in the best interests of the public and the Council.
 - f) The recruitment of family members and what should be declared should be part of SSDC's Recruitment Policy.
 - g) Corruption and bribery training should be a mandatory part of the induction process for all new employees and should be given to employees on a periodic basis, including a test of their understanding.
 - h) The financial process for using Procurement cards and expenses must be reviewed and updated to prevent the improper use of the facility.
12. In September 2021, SWAP Counter Fraud Team issued a control weakness report, which identified a number of recommendations, particularly in strengthening policies and procedures at Lufton Depot. A number of these were a duplicate of those identified in Mr Penn's report, but additional ones were:
- a) Review of all services delivered by the Lufton depot is undertaken to include all practices and processes that support each area of delivery.
 - b) Training and awareness should be provided to all staff to ensure they understand the importance of compliance with practices and processes and the risk to themselves and the Council if these are not followed.
 - c) The culture at the depot was also identified as a concern and work to develop and promote a more positive culture is also needed.
 - d) All leave is booked and approved through the Council's i-Trent, as a single record. Training, support and relevant technology should be provided to staff to ensure they are clear on expectations and are comfortable in using the system.
 - e) Consideration should be given to revisiting the amount of leave taken by staff in the current period through reconciliation between the records. Any adjustments to leave should then be made in line with the allocation stated in the employee's contract of employment.
 - f) The processes for vehicle checks and key sign-out should be enforced more strongly at Lufton Depot. This should apply to all fleet vehicles so that there is adequate audit trail on driver history in the event of issues arising.



- g) Vehicle tracking should be consistently applied across the department to ensure good tone is set from the top at Lufton Depot and to ensure that there is adequate audit trail on driver history in the event of issues arising.
- h) Vehicle tracking information should be reviewed by a designated resource at an agreed interval. Journeys that fall outside of normal working parameters should be brought to the attention of a senior manager and further enquiries then made.
- i) Any breaches to working practices in relation to vehicle use, including unauthorised journeys and corrected odometers should be reported to the Director for Strategy and Support Services immediately.
- j) The Council should agree on a policy for taking work vehicles home overnight. Consideration should be given to the perceived advantages to the Council, any insurance implications and the responsibility for the safety of staff.
- k) Vehicles should not be used for private use during and outside of working hours. This should be reiterated to all staff and where breaches occur, these should be reported to the Director for Strategy and Support Services immediately.
- l) Staff should be reminded that property of the Council or hired equipment is not to be removed or used without prior approval from the Director for Strategy and Support Services. Communications or a written policy for staff guidance may be beneficial. Breaches to the above should be reported immediately to the Director for Strategy and Support Services.
- m) It should be ensured that Financial Regulations are complied with regarding disposals. This should include, where necessary, documented rationale, i.e., value for money and evidence of discussion with the Procurement and Risk Manager.
- n) Private works - The Council should decide on a stance regarding private works. Should these be allowed to continue, they must be declared and approved, where necessary by the Director for Strategy and Support Services, and not conflict with working arrangements or be done using work equipment, plant or vehicles.
- o) Employment contracts will also need to be reviewed and amended in line with the agreed approach.
- p) The Council should review the arrangement with the agency and consider its own Fair Recruitment Policy in this. Future posts should be filled using the correct process to ensure fairness and to avoid accusation and risk of favouritism.



- q) A data cleansing exercise should be undertaken on the shared and local drives to remove any personnel files which would, if found, constitute a breach of Data Protection Regulations.
- r) All staff should be reminded of their individual responsibility to comply with the employee Code of Conduct and the Financial Procedure Rules. Training should also be provided to all staff on both.

Progress made to address the recommendations

- 13. Although SSDC has existing policies and procedures to mitigate against fraudulent activity where possible, these investigations identified some weaknesses that needed to be addressed to strengthen certain areas.
- 14. Two action plans were developed to address the recommendations. These were presented to the Audit Committee at their meeting on 26th May 2022. The committee requested an update and scheduled this report for their meeting in January 2023.
- 15. The updated action plan and progress report in relation to Mr Penn's findings can be found at Appendix A.
- 16. In relation to the Lufton Depot, in December 2022 SWAP Internal Audit have carried out a follow up audit to see if the recommendations made in the control weaknesses report from September 2021 have been completed. A copy of final report from December 2022 can be found at Appendix B.
- 17. We are pleased the audit has found that the majority of recommendations have been completed, and those that are outstanding will be completed in their entirety by March 2023.
- 18. We are pleased to report that there has been a significant change in the culture at the Lufton depot following the appointment of a new Environmental Services Manager as mentioned in the audit report. The team are working incredibly hard to maintain this, and take some of the improved and strengthened practices into the new Council. .

Next Steps

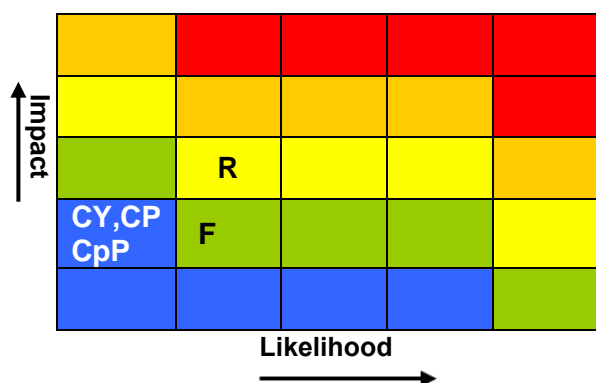
- 19. The Environmental Services Manager is fully committed to ensuring completion of the outstanding matters on the action plan. Those outstanding are linked to the Code of Conduct training and the private use of vehicles. Code of conduct training will be conducted for all staff at Lufton during January 2023, and the action in relation to use of vehicles by the end of March 2023.

Financial Implications

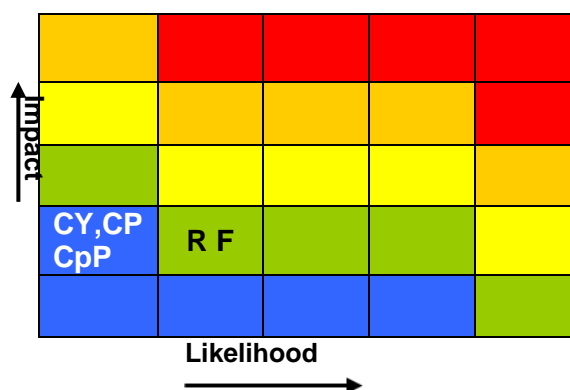
- 20. There are no new financial implications as a result of noting this report.

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Council Plan Implications

21. Improving and strengthening corporate governance and Environmental Services enables the council to deliver better the priorities set out in the corporate plan.

Carbon Emissions and Climate Change Implications

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

Equality and Diversity Implications

23. There are no equality or diversity implications

Privacy Impact Assessment

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

Background Papers

None.



South Somerset
District Council